HEC MONTRÉAL
École affiliée à l'Université de Montréal

Environmental and Social Disclosures: The Bright Side of CEO Narcissism

par
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Résumé

Bien que les chefs de la direction soient réputés pour avoir un impact majeur sur la publication d'information sur les entreprises, la question de savoir si leurs traits de personnalité peuvent influencer la publication d'information sur la responsabilité sociale de l'entreprise (RSE) reste inexplorée. La présente étude comble un vide dans la littérature en examinant les effets du narcissisme des chefs de la direction sur l'étendue de la publication d'information sur la RSE. En nous appuyant sur des recherches antérieures suggérant que les chefs de la direction narcissiques entreprennent des actions complexes ou audacieuses pour renforcer une image grandiloquente d'eux même, nous émettons l'hypothèse que les chefs de la direction hautement narcissiques sont plus susceptibles de fournir des informations environnementales et sociales plus extensives. Le raisonnement sous-jacent est le suivant : la publication d'information sur la RSE transmet des informations précieuses à un groupe plus large de parties prenantes que les états financiers qui visent particulièrement les actionnaires, et offre ainsi aux chefs de la direction narcissiques une opportunité majeure pour renforcer leur image et améliorer leur réputation.

Nous soutenons également que la gouvernance d'entreprise a un effet modérateur sur la relation entre les chefs de la direction narcissiques et la publication d'information sur la RSE. Plus particulièrement, nous examinons comment l'indépendance du conseil d'administration, les réunions du conseil d'administration et la dualité des rôles de chefs de la direction/président du conseil d'administration affectent la relation entre le narcissisme des chefs de la direction et l'étendue de la publication d'information sur la RSE. Notre échantillon couvre tous les chefs de la direction de l'indice S&P 1500 ayant plus de 3 ans de mandat sur la période 2008-2017. La mesure du narcissisme des chefs de la direction est basée sur 10 indicateurs objectifs. Les scores de la publication d'information sur la RSE calculés par Bloomberg sont utilisés comme mesure de l'étendue de la publication d'information sur la RSE. Après avoir contrôlé les

caractéristiques des chefs de la direction, des entreprises et de l'industrie, nous constatons que les chefs de la direction hautement narcissiques sont associés à des publications d'information sur la RSE plus étendues. Nous montrons que l'indépendance du conseil d'administration, les réunions du conseil d'administration et la dualité des rôles de chefs de la direction/président du conseil d'administration ne modèrent pas l'effet positif du narcissisme des chefs de la direction sur de la publication d'information sur la RSE. Nos résultats viennent s'ajouter à la littérature de plus en plus importante sur le narcissisme et complètent les résultats antérieurs sur les déterminants de la publication d'information sur la RSE.

Mots clés : Publication d'information sur la RSE, chefs de la direction, narcissisme, réputation, image de soi, gouvernance d'entreprise

Méthodes de recherche: Économétrie

Abstract

While chief executive officers (CEOs) are deemed to have a major impact on corporate disclosure, the question of whether their personality traits may influence corporate social responsibility (CSR) disclosure has been left unexplored. This study fills the gap in the literature by investigating the effects of CEO narcissism on the extent of environmental and social disclosures. Drawing on prior research suggesting that narcissistic CEOs undertake challenging or bold actions to reinforce their grandiose self-image, we hypothesize that highly narcissistic CEOs are more likely to provide more extensive environmental and social disclosures. The reasoning behind this is as follows: CSR disclosure offers valuable information to a broader group of stakeholders than financial statements that are specifically aimed at shareholders, and thus provides narcissistic CEOs a major opportunity to reinforce their self-image and enhance their reputation. We also argue that corporate governance has a moderating effect on the relationship between CEO narcissism and CSR disclosure. Specifically, we examine how board independence, board meetings, and CEO duality affect the relation between CEO narcissism and the extent of CSR disclosure. Our sample covers all S&P 1500 CEOs with more than 3 years of tenure over the period 2008–2017. The measurement of CEO narcissism is based on 10 objective indicators. The environmental and social disclosures scores calculated by Bloomberg are used as proxies for the extent of environmental and social disclosures. After controlling for CEO, firm, and industry characteristics, we find that highly narcissistic CEOs are associated with more extensive environmental and social disclosures. We show that board independence, board meetings, and CEO duality do not moderate the positive effect of narcissism on environmental and social disclosures. Our findings add to the growing literature on narcissism and complement previous findings on the determinants of CSR disclosure.

Keywords: environmental and social disclosures, Chief Executive Officer, narcissism, reputation, self-image, corporate governance.

Research methods: Econometrics

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List of Acronyms

AAER	Accounting and Auditing Enforcement Releases
APA	American Psychiatric Association
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CSE	Core Self-Evaluation
CSP	Corporate Social Performance
DSM	Diagnostic and Statistical Manual
EPA	Environmental Protection Agency
ESG	Environment, Social, Governance
EPS	Earnings per Share
FASB	Financial Accounting Standards Board
FFM	The Five-Factor Model
GLM	Generalized Linear Model
GRI	Global Disclosure Initiative
IFRS	International Financial Reporting Standards
IST	Instrumental Stakeholder Theory
NGO	Non-Governmental Organizations
NPD	Narcissistic Personality Disorder
NPI	Narcissistic Personality Inventory
ROA	Return on Assets
ROI	Return on Investment
SEC	The Securities and Exchange Commission
SRI	Socially Responsible Investment
UET	Upper Echelons Theory

This thesis is dedicated to the memory of my brother Wissem

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Introduction

Accounting and remuneration scandals such as Enron, WorldCom, Ahold, and Parmalat, Volkswagen's manipulation of emissions tests, as well as leaks and whistleblowing incidents like Panama Papers have heightened corporate accountability[1] as evidenced by the Sarbanes-Oxley Act and the establishment of the Public Company Accounting Oversight Board in the U.S. and similar bodies around the world. As a result, companies have increased their disclosures to satisfy stakeholders' growing demand for transparency about corporate behavior. To achieve an optimal information environment, managers provide voluntary disclosure to complement traditional financial reporting. In this scheme of things, corporate social responsibility (CSR) disclosure has emerged as a major vehicle used by companies to communicate, "their values and beliefs (principles of social responsibility), to demonstrate that stakeholder expectations and demands have been met and concerns have been addressed (process of social responsiveness), and to report social and environmental performance (social outcomes)." (Brennan, Merkl-Davies, & Beelitz, 2013: 667).

While CSR disclosure is voluntary in most countries around the world including the U.S. (Berthelot, Cormier, & Magnan, 2003; Thijssens, Bollen, & Hassink, 2016), available data suggest that an increasing number of corporations have opted for reporting on CSR issues[2]. This trend could be explained by two main factors. First, from the corporate perspective, corporate managers are now aware of the current and long-term benefits of CSR disclosure. By providing CSR information, companies create value in

[1]Schlenker, Britt, Pennington, and Doherty (1994) define accountability as the condition of "being answerable to audiences for performing up to certain standards, thereby fulfilling responsibilities, duties, expectations, and other charges." (634).

[2] In 2008, 79% of the largest companies in the world (G250 companies) published a corporate responsibility report, and an additional 4% integrated corporate responsibility information in their annual report. In 2011 and 2017, the percentage of G250 companies that report on their corporate responsibility activities had climbed to 95% and to 93% respectively (The KPMG Survey of Corporate Responsibility Reporting 2017).

several ways, notably by increasing transparency, enhancing brand value, reputation and legitimacy, gaining and sustaining strategic competitive advantage in the marketplace, attracting and retaining intellectual talent, promoting self-regulation and keeping the informal regulators (such as activists and nongovernmental organizations (NGOs)) and formal regulators at distance, and supporting corporate information and control processes (Ferns, Emelianova, & Sethi, 2008; Herzig & Schaltegger, 2006; Ioannou & Serafeim, 2017). Second, from the investor perspective, CSR disclosure provides value relevant information. As a matter of fact, socially Responsible Investing (SRI) assets are growing sharply around the world. The Global Sustainable Investment Review (2016) reports that the global sustainable investment expanded from US$18.28 trillion in 2014 to US$22.89 trillion in 2016. This creates a great demand for CSR disclosure, notably because such disclosure provides important additional information above and over financial information. Indeed, investors have evolved in their way of assessing corporate performance and are now making decisions based on economic, environmental, social, and governance criteria (Holder-Webb, Cohen, Nath, & Wood, 2009). Empirical studies provide strong evidence on the value relevance of CSR information. For instance, in the U.S., Hamilton (1995), Khanna, Quimio, and Bojilova (1998) and Ragothaman and Carr (2008) document a positive association between stock prices and environmental news. In an international study, Dhaliwal, Radhakrishnan, Tsang, and Yang (2012) find that CSR disclosure is valued by financial analysts to the extent that it provides value-relevant information about firms CSR performance and activities (Al-Tuwaijri, Christensen, & Hughes, 2004; Margolis & Walsh, 2001). Goldstein and Yang (2015) document that a wider diversity of information in the economy improves price informativeness. Relatedly, van Duuren, Plantinga, and Scholtens (2016) provide evidence that conventional asset managers, such as socially responsible asset managers, integrate social and environmental criteria into their investment decisions.

Given that the benefits of CSR disclosure are evident, it is also necessary to reflect on its determinants. Several empirical studies in the social accounting literature have examined the internal (i.e., corporate size, industry group, financial performance, CSR performance, ownership structure, corporate governance, and manager attitude and characteristics) and the external determinants (i.e., corporate visibility, the legal context,

and the country of origin) of CSR disclosure (for review, see Adams, 2002; Fifka, 2013; Hahn & Kühnen, 2013; Roberts, 1992b). However, few studies have been conducted on the effects of the chief executive officer (CEO) demographic characteristics or personality traits on CSR disclosure. To date, only two studies, Lewis, Walls, and Dowell (2014) and Muttakin, Khan, and Mihret (2018) have examined the effect of CEO characteristics on CSR disclosure. This lack of research is a major gap and was pointed out by Waldman and Siegel (2008) in the CSR literature:

> It is important to note that most CSR studies, especially those of an empirical nature, have ignored the role of corporate leaders in formulating and implementing CSR initiatives. Top-level managers are obviously in a position to influence these policies…studies that ignore the role of leadership in CSR may yield imprecise conclusions regarding the antecedents and consequences of these activities (117-118).

This is striking given that corporate governance research considers the CEO as the most powerful member in the organization (Daily & Johnson, 1997), "the corporate leader" (Norburn, 1989: 2), and the person who "set the tone for the entire corporation" (Wheelen & Hunger, 1990: 69). Gunz and Thorne (2015) suggest that CEOs influence significantly organizations' ethical climate. Ferns et al. (2008) view the CEO as "the face of and the spokesperson for the entire company" (121). They stress that CEOs have the same level of responsibility for preparing both CSR disclosure and financial reports. Moreover, there is a vast empirical literature in management, accounting, and finance showing that managers' characteristics (such as age, gender, tenure, and power) and personality traits (such as hubris, overconfidence, and narcissism) influence corporate outcomes (Abernethy & Wallis, 2019; Chin, Hambrick, & Treviño, 2013; Chyz, 2013; Dyreng, Hanlon, & Maydew, 2010; Lin, Wang, Chiou, & Huang, 2014; Malmendier & Tate, 2005a, 2008; Oh, Chang, & Cheng, 2016; Plöckinger, Aschauer, Hiebl, & Rohatschek, 2016).

In this regard, the upper echelons literature suggests that firm managers have substantial discretion[3] over corporate decisions and strategies (Adams, Almeida, & Ferreira, 2005; Bertrand & Schoar, 2003; Hambrick, 2007), although limited (Abrahamson & Hambrick, 1997; Hambrick & Finkelstein, 1987b). Miller, Kets de Vries, and Toulouse (1982) and Finkelstein and Hambrick (1996) suggest that managers are likely to have more discretion in some situations than in others. Thus, managers have more room for discretion in situations of overabundance of information, situations where cause-effect relationships are not known, where regulatory or oversight requirements are minimal, and in small organizations (Finkelstein & Hambrick, 1996; Miller et al., 1982). Some of these situations appear to be the case regarding CEOs' incentives for providing disclosure. That is, managers use their discretion when providing mandatory disclosure by interpreting existing laws and standards (Williams, 2008), but chiefly when providing voluntary disclosure (Francis, Nanda, & Olsson, 2008b; Williams, 2008) such as CSR disclosure (Berthelot et al., 2003). Managers also use their discretion when engaging in CSR activities (Fabrizi, Mallin, & Michelon, 2014; Hemingway & Maclagan, 2004; Margolis & Walsh, 2003; Swanson, 1995; Wood, 1991).

On the other hand, upper echelons scholars point out that individual differences–demographic characteristics and psychological traits–manifest themselves particularly in situations where managers have great discretion (Hambrick & Finkelstein, 1987b; Hiller & Hambrick, 2005). For instance, prior research has evidenced that managers' personality traits influence firms outcomes such as CSR performance (McCarthy, Oliver, & Song, 2017; Petrenko, Aime, Ridge, & Hill, 2016) and financial reporting outcomes (for review, see Abernethy & Wallis, 2019; Plöckinger et al., 2016). In particular, narcissism is one of CEO personality traits that have been extensively examined in accounting (Majors, 2016; Marquez-Illescas, Zebedee, & Zhou, 2019; Olsen, Dworkis, & Young, 2014; Olsen & Stekelberg, 2016; Rijsenbilt & Commandeur, 2013).

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[3] The concept of managerial discretion was introduced by Hambrick and Finkelstein (1987). They define managerial discretion as the latitude of action available to top executives. According to Pearsall (1999) discretion is: "the freedom to decide what should be done in a particular situation" (409). Crossland and Chen (2013) consider managerial discretion as "the extent to which senior executives are able to impart their own idiosyncratic stamps on their firms" (80).

However, while CSR disclosure is an integral part of corporate voluntary disclosure (Fuhrmann, Ott, Looks, & Guenther, 2017), the effects of CEO personality traits on CSR disclosure have not been studied. We address this omission and build on the insights of the stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984) and the upper echelons theory (UET) (Hambrick, 2007; Hambrick & Mason, 1984) to better understand the influence of one CEO personality trait, that is, narcissism on the extent of environmental and social disclosures[4].

Given that narcissistic people are more likely to end up in top management positions because they possess the most prominent traits of leaders such as intelligence (Paulhus, 1998), extraversion (Campbell, Rudich, & Sedikides, 2002b), self-esteem[5] (Emmons, 1984, 1987), confidence (Campbell, Goodie, & Foster, 2004b), self-efficacy (Watson, Sawrie, & Biderman, 1991), dominance and power (Carroll, 1987; Emmons, 1989), examining the effects of narcissism on corporate outcomes, including CSR disclosure, is important. The literature suggests that narcissistic individuals are full of paradoxes consequently narcissistic CEOs induce decisions that can both destroy and enhance firm value and reputation. For instance, Rijsenbilt and Commandeur (2013) argue that CEO narcissism explains why firms commit fraud. Similarly, distortions in other accounting outcomes (Buchholz, Lopatta, & Maas, 2019; Capalbo, Frino, Lim, Mollica, & Palumbo, 2018; Ham, Lang, Seybert, & Wang, 2017) and investments (Aktas, de Bodt, Bollaert, & Roll, 2016; Ham, Seybert, & Wang, 2018) can be costly. Alternatively, narcissism can yield benefits under some conditions. For example, it is less costly to motivate narcissistic managers to engage in risky investments than other managers (Chatterjee & Hambrick, 2007; Gerstner, König, Enders, & Hambrick, 2013).

We hypothesize that if highly narcissistic managers provide environmental and social disclosures, they are likely to disclose more environmental and social information than less narcissistic managers. We suggest that since CSR disclosure targets a wide

[4] We acknowledge that CSR disclosure involves a wide range of information including environmental, social, and governance information. In this study we focus exclusively on environmental and social disclosures.

[5] According to Baumeister et al. (1989), the term 'self-esteem' refers to "an intrapsychic cognition: It is an attitude that evaluates the self." (573).

audience, it presents a self-enhancement opportunity for highly narcissistic CEOs who seek out highly visible performance settings that offer maximal opportunities for gaining glory and achieving a favorable reputation (Baumeister, Tice, & Hutton, 1989). Thus, our first hypothesis predicts a positive relation between CEO narcissism and the extent of environmental and social disclosures. Next, we examine how the relation between CEO narcissism and environmental and social disclosures varies in relation to the effectiveness of the board of directors. In total, three variables are proposed, namely board independence, the number of board meetings, and CEO duality. We argue that when boards view environmental and social disclosures as desirable, it amplifies the positive effect of CEO narcissism on the extent of environmental and social disclosures hypothesized above.

Our tests are based on a sample of an unbalanced panel of 802 S&P 1500 CEOs over the 2008–2017 period. The environmental and social disclosure scores calculated by Bloomberg are used as proxies for the extent of environmental and social disclosures. Given that executives' personality traits are difficult to measure directly, the empirical literature uses unobtrusive proxies to capture the underlying constructs. Prior studies have used several measures such as prominence of the CEO's photograph in annual reports, prominence of CEO in company press releases, measures of the CEO's compensation relative to other executives (Chatterjee & Hambrick, 2007, 2011; Rijsenbilt & Commandeur, 2013), CEO's signature size (Ham et al., 2017; Ham et al., 2018), and video-rating measure (Petrenko et al., 2016). Following Rijsenbilt and Commandeur (2013), we use an "at-a-distance" measure for CEO narcissism based on 10 objective indicators[6], which fit the main conceptualization of narcissism as documented by Emmons (1984, 1987). In addition, we use a wide array of control variables related to CEO characteristics (Petrenko et al., 2016; Rijsenbilt & Commandeur, 2013) and firm characteristics (Baldini, Maso, Liberatore, Mazzi, & Terzani, 2018). Our results provide evidence that CEO narcissism is significantly and positively related to the extent of environmental and social disclosures. With respect to the potential effects of board

[6] Rijsenbilt and Commandeur (2013) use 15 indicators, we opt for using only 10 indicators due to data limitations.

structure, we find that, in general, board structure does not moderate the relation between CEO narcissism and the extent of environmental and social disclosures.

Our results contribute to the literature in several ways. First, the main intended contribution of this paper relative to the existing CSR disclosure literature is to provide empirical evidence regarding the effects of CEO narcissism on the extent of environmental and social disclosures. We provide the first evidence in the literature linking specific CEO personality characteristics to CSR disclosure. Consequently, we contribute to the growing literature on the determinants of CSR disclosure (Adams, 2002; Baldini et al., 2018; Fifka, 2013; Hahn & Kühnen, 2013). Second, we give new insights into the importance of CEO psychological and demographic characteristics in affecting corporate outcomes. We extend the bourgeoning literature on the influence of CEO narcissism on firm-level decisions (Bertrand & Schoar, 2003) by investigating an additional firm-level outcome, the extent of environmental and social disclosures. In addition, we provide evidence that CEO narcissism is incrementally important after controlling for other factors such as CEOs' demographics (i.e., age, tenure, and gender) and overconfidence. Fourth, our study uses both stakeholder and upper echelons theories to explain the internal and external drivers of environmental and social disclosures. This combination of theories can help provide a more comprehensive and solid explanation of the effects of the individual- and firm-level variables on these types of disclosure. Furthermore, we attempt to examine, for the first time, the moderating effect of board structure on the relationship between CEO narcissism and the extent of environmental and social disclosures. Finally, our study merges three strands of the literature: accounting, psychology and management. This holistic approach leads to a deeper understanding of the determinants of CSR disclosure.

Our analysis is subject to certain caveats. First, inherent to any deductive research approach, the results are about association and not causality. Second, we focus on one behavioral trait, other managerial characteristics may provide different results. Third, the construct of narcissism is difficult to measure and consequently the validity of our inferences is critically dependent on the validity of our proxies for this construct. Fourth, our study does not consider the quality of information disclosed; we measure the presence

or absence of environmental and social items in environmental and social disclosures. Finally, our sample is composed of large U.S. listed firms, thus making the findings difficult to extrapolate to non-listed and SME companies.

The remainder of the dissertation is as follows: Chapter 1 "Theoretical Framework: Stakeholder and Upper Echelons Theories" discusses the theoretical framework. Chapter 2 "Literature Review and Hypothesis Development" discusses background literature and develops predictions on the relations between CEO narcissism, board structure, and environmental and social disclosures. Chapter 3 "Research Design" focuses on the methodology, data, and results. Finally, some conclusions are drawn.

Chapter 1 Theoretical Framework: Stakeholder and Upper Echelons Theories

This chapter presents the theoretical framework supporting this study. We build upon the insights from both the stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984) and the upper echelons theory (Hambrick & Mason, 1984) to develop a more comprehensive explanation of the hypothesized positive influence of CEO narcissism on the extent of environmental and social disclosures. In view of the rapid growth of CSR disclosure and its role in increasing corporate transparency, enhancing brand value, reputation, and legitimacy, motivating employees, enabling benchmarking against competitors, signaling competitiveness, and supporting corporate information and corporate processes (Axjonow, Ernstberger, & Pott, 2018; Dhaliwal, Li, Tsang, & Yang, 2014; Dhaliwal, Li, Tsang, & Yong, 2011; Eccles, Serafeim, & Krzus, 2011; Herzig & Schaltegger, 2006; Pérez, 2015), a large number of studies have investigated its determinants. To this end, an array of theories has been used to explain CSR disclosure practices. At first, it may be necessary to explain what a theory is. According to Gray, Owen, and Adams (2010), a "Theory is, at its simplest, a conception of the relationship between things. It refers to a mental state or framework and, as a result, determines, inter alia, how we look at things, how we perceive things, what things we see as being joined to other things and what we see as 'good' and what we see as 'bad'"(6).

The theories most often used in prior research to explain CSR practices are legitimacy theory, institutional theory, agency theory, signaling theory, and stakeholder theory. Legitimacy theory was used to explain the impact of external pressures on the willingness of a firm to disclose CSR information. Legitimacy theory emphasizes on the dependence of organizations on societal acceptance for survival (Singh, Tucker, & House,

1986). According to Suchman (1995), legitimacy is "a generalized perception or assumption that the actions of any entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (574). Legitimacy theory suggests that "organisations can only continue to exist if the society in which they are based perceives the organisation to be operating to a value system that is commensurate with the society's own value system (i.e., if they are perceived as legitimate by the 'relevant publics')" (Gray et al., 2010: 28). Consequently, companies provide CSR disclosure to gain legitimacy among stakeholders (Aerts & Cormier, 2009; Gray, Kouhy, & Lavers, 1995; Gray et al., 2010; Patten, 2002).

Institutional theory stresses the importance of institutions (i.e., rules, regulations, and ideas) in conditioning corporate behavior (Campbell, 2007; Campbell, Hollingsworth, & Lindberg, 1991; DiMaggio & Powell, 1991; Higgins & Larrinaga, 2014). Institutional theory explains the homogeneity of the practices and forms of companies operating within a same organizational field. DiMaggio and Powell (1983) refer to the organizational field as "those organisations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products." (162). Institutional theory is a well-established theoretical perspective in financial reporting (Deegan, 2009; Gray et al., 2010). Few studies have used the lenses of institutional theory to provide insights into how institutions influence CSR disclosure practices (Chen & Bouvain, 2009; Fortanier, Kolk, & Pinkse, 2011) and returned mixed results. In addition, the assumptions of signaling and agency theories were used to explain the role of CSR disclosure in lowering information asymmetry between management and investors. Agency (or principal-agent) theory conceives the firm as a nexus of contracts (formal and informal) between various economic agents (i.e., managers, shareholders, and creditors) who act opportunistically within efficient markets (Jensen & Meckling, 1976b). In this context, providing CSR information may be useful in determining managerial compensation contracts (Lanen, 1999), debt contractual obligations, and implicit political costs (Barth, McNichols, & Wilson, 1997). However, Gray et al. (2010) stress that agency theory is not commonly used in CSR disclosure research (with a few exceptions, Hackston & Milne, 1996; Ness & Mirza, 1991; Reverte, 2009).

Several researchers (Dögl & Holtbrügge, 2014; Hasseldine, Salama, & Toms, 2005; Hetze, 2016; Nikolaeva & Bicho, 2011; Pérez, 2015; Simaens & Koster, 2013) have used signaling theory (Porter, 1980; Spence, 1978) to explain CSR disclosure practices. Signaling theory focuses on the use of corporate disclosure to reduce information asymmetry (Spence, 1973, 2002). According to Connelly, Certo, Ireland, and Reutzel (2011), signaling theory relies on three essential elements: the "signaler", the "signal", and the "receiver". The "signalers" or senders are insiders–such as the CEO or other executives–who obtain information (either positive or negative) that is not available to outsiders. The information may concern the underlying quality of some aspects about an individual, a product, or the organization. The "signal" refers to the deliberate communication of positive information, that is, imperceptible qualities of the insider (Connelly et al., 2011). To be considered as effective, a signal must be observable (i.e., the extent to which outsiders are able to notice the signal) and must have a cost. Finally, the "receivers" are "outsiders who lack information about the organization in question but would like to receive this information" (Connelly et al., 2011: 45). Hetze (2016) considers corporate stakeholders as the receivers of corporate signals. In addition, the quality of the signal which refers to "the underlying, unobservable ability of the signaler to fulfill the needs or demands of an outsider observing the signal" (Connelly et al., 2011: 43) is of significant importance. Hence, CSR disclosure can be used by firms as a signal to reduce information asymmetry and ensure legitimacy (Dögl & Holtbrügge, 2014; Hetze, 2016).

Stakeholder theory remains the dominant approach in explaining CSR disclosure practices. Stakeholder theory suggests that CSR disclosure is a strategic communication tool that helps managing stakeholder relationships (Roberts, 1992b). According to Freeman (1984), managers have to acknowledge changes in the environment among internal and external stakeholders. That is, managers play a unique role in determining which stakeholders deserve and receive consideration in the decision-making process (Hill & Jones, 1992). This acknowledgement of the key role that managers play in CSR practices is also consistent with the assumptions of the upper echelons theory (UET). Indeed, UET posits that corporate strategic decisions including corporate disclosure are

influenced by the characteristics of corporate top managers, in particular the CEOs (Hambrick & Mason, 1984).

In the following, we provide an overview of the assumptions of stakeholder theory and upper echelon theory as well as their use in explaining CSR disclosure practices.

1.1 Stakeholder Theory

We start by defining stakeholder theory before presenting its relevance in explaining CSR disclosure practices.

1.1.1 Relevant Aspects of the Stakeholder Theory

Research on the concept of stakeholders can be traced to the work of Barnard (1938) and March and Simon (1958). Ansoff (1965) was the first to use the term "stakeholder theory" when he defined the objectives of a firm and considered that a firm's main goal is to find a compromise between the competing requests of various stakeholders. Pefeffer and Salanick (1978) put forward that external stakeholders are of significant importance for providing resources to firms and that, in exchange, stakeholders might ask firms to make certain actions. It would not be until the publication, in 1984, of Freeman's seminal work "*Strategic Management: A Stakeholder Approach*" to allow the stakeholder theory to be brought to the fore of academic attention. Moving beyond a neoclassical shareholder orientation, the core notion of Freeman's stakeholder theory is based on a managerial approach that considers stakeholders as a more salient factor in the strategic decision-making. The inclusion of the latter, defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984: 64), outlines the importance of running a business by taking into account how various groups of stakeholders and managers interact and create value (Freeman, Harrison, & Wicks, 2007). It is generally understood that stakeholders include shareholders, managers, creditors, employees, suppliers, customers, local communities, and the general public (Hill & Jones, 1992).

Donaldson and Preston (1995) stress that the existence of three general approaches to stakeholder theory: descriptive, instrumental, and normative. The descriptive stakeholder theory (DST) describes and explains "specific corporate characteristics and behaviors." (Donaldson & Preston, 1995: 70). It focuses on the identification of "the group of interrelationships that make up an organization." (Lozano, 2005: 61). The general assumption of the instrumental stakeholder theory (IST) is that firms' ethical relationships with their stakeholders can enable them to significantly improve their economic performance (Donaldson & Preston, 1995). Ethical relationships refer to relationships characterized by fairness, loyalty, care, respect (Hendry, 2001), high levels of trust, cooperation, and information sharing (Jones, Harrison, & Felps, 2018). In this respect, Jones (1995) argues that "firms that contract (through their managers) with their stakeholders on the basis of mutual trust and cooperation will have a competitive advantage over those that do not." (422).

More recently, however, scholars have revealed certain shortcomings to the IST. For instance, Bridoux and Stoelhorst (2014, 2016) emphasize the need to integrate the complexity of human psychology in building IST. They suggest that to improve corporate economic performance, the varying human motivation and the role of relational models in explaining stakeholders' behaviors should be considered. Specifically, Bridoux and Stoelhorst (2014) distinguish between two groups of stakeholders: self-regarding (i.e., individuals who only care about their personal payoffs and do not value fairness) and reciprocal (i.e., individuals who reward a fair and punish unfair treatment of themselves or others, although the reward of punishment may be personally costly) stakeholders. Bridoux and Stoelhorst (2014) also suggest that to enhance their economic performance, firms have to use a specific stakeholder management approach towards each type of stakeholders. A fairness approach should be used to motivate reciprocal stakeholders and an arms-length approach is more appropriate to motivate self-regarding stakeholders. Jones et al. (2018) criticize the IST for not taking into account (1) the rarity and the challenge of imitating ethical practices; (2) the costs of adopting ethical practices; and (3) the fact that the benefits of ethical practices exceed costs only under certain circumstances. In their empirical study, Garcia-Castro and Francoeur (2016) document the existence of some boundary conditions for IST. They find that stakeholder investments

are more effective when all stakeholders are considered. They also show that there are no isolated stakeholder benefits from a disproportionally high investment beyond some upper bound. Finally, Garcia-Castro and Francoeur (2016) emphasize the importance of taking into consideration firms' strategies, industrial sector and legal/national conditions.

The third and last approach of stakeholder theory is normative and "attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles." (Donaldson & Preston, 1995: 72). According to the normative stakeholder theory (NST), organizations have to take into account the interests and the needs of all their stakeholders (Lozano, 2005). Regarding the interaction between stakeholders and firms, Frooman (1999) note that it is reciprocal. Stakeholders are influenced by firms, but they can also influence firms. In light of the classification of Donaldson and Preston (1995), we rely in this study on the normative stakeholder theory. From this point of view, firms have to take into consideration the rights and the claims of their stakeholders when providing CSR disclosure.

In addition, the stakeholder literature can be separated into two categories: (1) the moral stakeholder literature (Goodpaster, 1991) and (2) the strategic stakeholder literature (Frooman, 1999). The moral stakeholder literature seeks to reach a balance between stakeholders' interests. On the other hand, the strategic stakeholder literature focuses on the management of stakeholders' interests and distinguishes between two types of stakeholders: the primary stakeholders and the secondary stakeholders. According to Clarkson (1995), the primary stakeholders are those whose participation and support are vital to the organization survival (such as governments, suppliers, and customers). The secondary stakeholders are those whose participation and support are not vital to the organization survival but affect and are affected by the organization (such as media and non-governmental organizations). In this respect, Frooman (1999) note that the interaction between stakeholders and firms is reciprocal. Stakeholders are influenced by firms, but they also can influence firms.

Now that we have defined stakeholder theory, we will review the use of stakeholder theory in explaining CSR disclosure practices.

1.1.2 Stakeholder Theory and CSR Disclosure

Prior research has suggested that firms develop CSR strategies to manage the pressure that they receive from stakeholders (Berry & Rondinelli, 1998; Fineman & Clarke, 1996; Jennings & Zandbergen, 1995). This is especially true for CSR disclosure practices (KPMG, 2008). Indeed, disclosing to stakeholders is a strategic tool that firms use to survive and prosper by maintaining their legitimacy (Nielsen & Thomsen, 2007). As suggested above, theoretical frameworks like stakeholder theory, legitimacy theory, institutional theory, political economy theory, and signaling theory are used by researchers to explain CSR disclosure drivers (Deegan, Rankin, & Tobin, 2002; Gray et al., 1995; Hahn & Kühnen, 2013). However, stakeholder theory is one of the most common theories used is explaining CSR disclosure practices (Adams, 2002; Deegan & Blomquist, 2006; Gray et al., 2010; Snider, Hill, & Martin, 2003; Spence, Husillos, & Correa-Ruiz, 2010). Stakeholder theory not only offers a multi-perspective approach where various groups of stakeholders are involved in the social and environmental activities of the firm, but can also "help in identifying what groups might be relevant to particular management decisions, and perhaps, which expectations the organization has to pay more attention to conforming with." (Deegan et al., 2002: 295). In line with this, Carroll (1991) argues that "there is natural fit between the idea of corporate social responsibility and an organization's stakeholders ... The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation." (43). Relatedly, Roberts (1992b) suggests that:

> The corporate social responsibility model of stakeholder analysis extends the corporate planning model to include external influences on the firm that may assume adversarial positions. The adversarial groups are characterized as regulatory or special interest groups concerned with social issues. The corporate social responsibility model allows a strategic planning model to adapt to changes in the social demands of non traditional power groups. (598)

However, Spence et al. (2010) and Hahn and Kühnen (2013) stress that while several empirical studies investigate CSR disclosure practices using stakeholder theory (Comyns, 2016; Fernandez-Feijoo, Romero, & Ruiz, 2014; Nielsen & Thomsen, 2007; Smith, Adhikari, & Tondkar, 2005; Snider et al., 2003), there are other studies on these practices that take into consideration stakeholders without referring to the stakeholder theory or to any other theory (Parsa & Kouhy, 2008; Reynolds & Yuthas, 2008). The key point is that there is robust empirical evidence that CSR disclosure is a "part of the dialogue between the company and its stakeholders." (Gray et al., 1995: 53).

Ullmann (1985) develops a conceptual framework to explain the relationships between social performance, social disclosure, and economic performance. He suggests that to achieve their strategic objectives, firms must assess the requirements of diverse groups of stakeholders. Subsequently, Roberts (1992b) uses stakeholder perspective of Ullmann (1985) and investigates the impact of stakeholders on management decisions to provide social responsibility disclosure. He finds significant and positive associations between the intensity of stakeholder power, corporate economic performance, corporate strategic posture, and the level of social disclosure. Roberts (1992b) maintains that stakeholder theory permits the analysis of "the impact of prior economic performance, strategic posture toward social responsibility activities, and the intensity of stakeholder power on levels of corporate social disclosure" (Roberts, 1992b: 610). Smith et al. (2005) investigate the differences in corporate social disclosure between Norway, Denmark, and the U.S. and provide support for the claim that there is a relationship between CSR disclosure and stakeholder theory. They show that firms operating in stakeholder-oriented countries (i.e., Norway and Denmark) provide more extensive and high-quality CSR disclosure than firms operating in shareholder-oriented countries (such as the U.S.).

Using a sample of 99 CSR reports from nonfinancial Spanish public firms, Prado-Lorenzo, Rodríguez-Domínguez, Gallego-Alvarez, and García-Sánchez (2009) investigate the effect of shareholder power (i.e., the presence of financial institutions in a firm's ownership structure and the presence of a dominant shareholder) and disperse ownership structure on the contents and the quality of CSR reports and show that certain stakeholders (government and creditors) lead to the publication of CSR reports. However,

they find that the influence of shareholder power is limited to the issuance of CSR reports that use the format recommended by the Global Reporting Initiative Sustainability Reporting Guideline (hereafter GRI) format. Fernandez-Feijoo et al. (2014) analyze the effect of stakeholders' pressure on the transparency of the CSR reports. Using an international sample of 1,047 firms from the GRI database for the 2008-2010 period, they find that the pressure of some stakeholders (i.e., customers, employees, and the environment) positively affect the quality of CSR reports by making them more transparent.

Another important issue is the role of managers in addressing stakeholder demands. Taking agency theory and stakeholder theory as starting points, Hill and Jones (1992) point out that corporate managers play a "unique" role in the management of stakeholder relations. These authors view the firm as a nexus of implicit and explicit contracts in which managers occupy a central position and interact with stakeholders. This is because managers are the only group of stakeholders who enter into a contractual relationship with all other stakeholders. Managers are also the only group of stakeholders who have a direct control over the decision-making process of the firm (although some stakeholders, and particularly the suppliers of capital, have indirect control." (Hill & Jones, 1992: 134). It follows that managers make strategic decisions and that they attempt to reconcile the competing claims of different stakeholders both inside and outside the firm. This is particularly true with regard to CSR disclosure because it is "part of a strategic plan for managing stakeholder relationships" (Roberts, 1992b: 599).

Several studies have investigated how corporate managers perceive stakeholders claims when reporting on CSR issues. For example, Cormier, Gordon, and Magnan (2004) use environmental managers as the management focal point in their study on how managers assess stakeholders' interests and preoccupations when providing environmental reports. Cormier et al. (2004) survey environmental managers at 41 European and North American multinational firms (i.e., firms from Canada, Germany, and France) and distinguish between six groups of stakeholders: investors, lenders, suppliers, customers, governments, and the general public. Their results demonstrate that environmental managers weigh the importance of these six stakeholders' groups when

they decide to provide environmental reports. This appears to be true for developed countries as well as developing countries. Belal and Owen (2007) use an interview-based approach to examine what motivated 23 senior managers to produce CSR reports in a developing country, Bangladesh. They find that improving corporate image and managing the perceptions of powerful stakeholders are the main reasons given by managers for reporting on CSR issues. The authors also show that specific organizational circumstances may influence how managers perceive the pressure that stakeholders exert on them to produce CSR reports. For instance, managers of multinational companies suggest that CSR reports are issued to manage powerful stakeholder groups: parent companies, investors, and international agencies (e.g., the Organisation for Economic Co-operation and Development (OECD), the World Bank, and the International Monetary Fund (IMF)). Conversely, the authors suggest that managers of domestic companies (particularly those operating in export markets) tend to provide CSR disclosure to respond to international buyers' pressures. Finally, public-sector managers claim that employees are their key stakeholders, claiming this is mainly because of the pervasive influence of trade unions allied with mainstream political parties. Overall, these results show that managers take into consideration the claims of various stakeholders when they decide to disclose CSR information.

The preceding discussion shows that the role of corporate managers is a unique one in stakeholder theory because managers must address the interests of various stakeholder groups. However, stakeholder theory does not take into consideration the personality characteristics of managers when providing CSR disclosure. Donaldson (1999) suggests analyzing the psychology of managers as an improvement of the stakeholder theory. This suggestion is consistent with the upper echelon assumptions (Hambrick & Mason, 1984).

1.2 Upper Echelons Theory

The question of the role of managers in shaping organizational outcomes has led to tension between major theoretical frameworks. Neoclassical economic theory views firms as "production functions" or "production sets" (Teece & Winter, 1984) and considers agents as "optimizers who were led to 'better' outcomes" (Weintraub, 2002) because they are

assumed to possess "perfect" or "complete" knowledge and to have stable preference functions (Lawson, 2013). Consequently, decision-making is reduced to "the mechanical application of mathematical rules for optimization." (Teece & Winter, 1984: 119), where the role of managers is downplayed or even suppressed (Teece & Winter, 1984). Similarly, the population ecology theory (Hannan & Freeman, 1977) and institutional theory (DiMaggio & Powell, 1983) suggest that managers have little room for discretion over organizational outcomes due to constraints caused by internal and external forces (DiMaggio & Powell, 1983; Hannan & Freeman, 1977). On the contrary, the agency theory (Eisenhardt, 1989; Jensen & Meckling, 1976b) assumes the separation between ownership and control leading to the (so-called) "agency problem". The focus of the agency theory is on determining the most efficient contract that governs the principal-agent relationship due to the conflict of interest between principals and agents, the lack of complete information, and the inability of the principal to effectively monitor the conduct of the agent (Amihud & Lev, 1981; Eisenhardt, 1989; Jensen & Meckling, 1976b). As such, agency theory recognizes that the influence of managers on organizational outcomes depends on governance arrangements (Rediker & Seth, 1995).

On the other hand, the upper echelon theory (UET) (Hambrick & Mason, 1984) assumes that managers hold great sway over organizational outcomes. The roots of the upper echelons theory lie in the conceptions of organizational decision-making of the Carnegie School. Using three foundational works (Cyert & March, 1963b; March & Simon, 1958; Simon, 1945), the Carnegie School has achieved a fundamental breakthrough by taking into account some concepts from sociology and social psychology to explain the complex reality of organizational decision-making, which leads to the development of the behavioral theories of the firm (Augier, 2001). In particular, the Carnegie School challenges the assumptions of the "theories of perfect rationality embodied in classical economic theory and statistical decision theory." (Simon, 1982: 204) by incorporating behavioral factors, such as bounded rationality (Simon, 1955, 1956), the role of specialized decision-making structures, and the role of conflicting interests and cooperation between the members of the organization to improve the understanding of how organizations make decisions (Gavetti, Levinthal, & Ocasio, 2007).

Simon's (1955, 1956) concept of bounded rationality is of particular interest to the UET. Whilst recognizing the prevalence of the concept of rationality in both economics and psychology, Simon (1955, 1956) emphasizes the difference in their respective conceptualization of rationality. Hence, contrary to neoclassical economics, which assumes rational behavior on the part of the individual agents, psychology is concerned with both rational and (Cyert & March, 1963a) irrational behaviors. Simon brought psychology into economics via the concept of bounded rationality by pointing out the psychological limitations of knowledge, memory, attention, and motivation which impact human decision-making (Augier, 2001). In their seminal 1984 paper, Hambrick and Mason propose a theoretical framework and suggest that "Organizational outcomes –both strategies and effectiveness–are viewed as reflections of the values and cognitive bases of powerful actors in the organization." (Hambrick & Mason, 1984: 193).

Hambrick and Mason (1984) introduce a model that was further refined to encapsulate the UET. Specifically, the UET suggests that when making strategic decisions, senior executives face complex and ambiguous situations and varied stimuli leading them to operate within the bounds of rationality. In this respect, senior executives inject their cognitive biases, personal values, and other human factors into their analyses of the situations that they are facing and their choices (Finkelstein & Hambrick, 1996; Hambrick, 2007, 2016; Hambrick & Mason, 1984). These screens or filters shape how senior executives process information, allocate resources, lead employees, make strategic decisions, and, ultimately, the resultant performance outcomes (Finkelstein, Hambrick, & Cannella, 2009).

Nevertheless, Hambrick (2007) emphasizes the lack of research focusing on the association between executives' psychological characteristics and organizational outcomes. He refers to this stream of research as the "black box research" (Hambrick, 2007) and explains the lack of research by the difficulty in measuring executives' psychological characteristics. He suggests that the assessment of this type of characteristics "requires very intrusive access to large numbers of executives and TMTs[7], who are notoriously unwilling to submit themselves to scholarly poking and probing."

[7] Top management teams.

(Hambrick, 2007: 337). To offset this difficulty, UET proposes the use of executives' observable demographic proxies (e.g., age, education, work experience, and socioeconomic background) (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984) to investigate the association between organizational outcomes and managers' observable characteristics.

Hambrick and Mason (1984) suggest that both upper echelons' demographic characteristics and strategic choices may be impacted by internal as well as external factors. The authors point out that the selection process of certain executives is not random. Instead, certain executives are appointed if, and only if, they have the required characteristics resulting from "previous organizational actions" (Hambrick & Mason, 1984: 197). For instance, Hambrick and Mason (1984) suggest that industry characteristics may play a crucial role regarding executives' selection and improvement. Carpenter et al. (2004) argue that the prioritization of executives' demographic characteristics varies according to the culture.

Subsequently, Hambrick and Finkelstein (1987a), Hambrick, Finkelstein, and Mooney (2005), and Hambrick (2007) introduce refinements to the theory by identifying a number of moderators of UET predictions. Managerial discretion and job demand are the two most notable refinements. Managerial discretion, which refers to the manager's latitude of action (Carpenter et al., 2004; Crossland & Hambrick, 2011; Hambrick, 2016; Hambrick & Finkelstein, 1987a), exists when "there is an absence of constraints and when there is a great deal of means-ends ambiguity (that is, when there are multiple plausible alternatives." (Hambrick, 2007: 335). Hambrick (2007, 2016) and Finkelstein et al. (2009) argue that some situations may increase or decrease managerial discretion such as environmental conditions (i.e., product differentiability, market growth, demand instability, powerful outside forces, national context, and industry growth), organizational factors (i.e., capital intensity, resource availability, powerful inside forces, corporate size, corporate age, and board power), and from the executive himself or herself (e.g., tolerance for uncertainty, adaptability, tolerance for ambiguity, aspiration level, commitment to the status quo, cognitive complexity, internal locus of control, and power base). Thus

executive characteristics matter in predicting organizational outcomes depending on the extent of managerial discretion (Hambrick, 2007, 2016).

On the other hand, executive job demand refers to "the degree to which a given executive experiences his or her job as difficult or challenging." (Hambrick et al., 2005: 473). Several factors contribute to determining job demands. Hambrick et al. (2005) suggest that executive job demands may arise from: (1) task challenges; (2) performance challenges; (3) and executive performance aspirations. Task challenges are the conditions inhibiting executive ability to reach a given level of performance such as operating in a dynamic, complex, and changing environment or facing resource scarcity. Firms' shareholders and other stakeholders can also put pressure on executives and affect their performance. Finally, executive job demands can emanate from the executive himself or herself, that is, the executive may be demanding of himself or herself and desire to achieve elevated levels of performance. Just like managerial discretion, higher level of executive job demands will lead to a significant relationship between managers characteristics and organizational outcomes (Hambrick, 2007).

Since the publication of Hambrick and Mason's framework, a sizable number of empirical studies have used the UET assumptions in management (Carpenter et al., 2004; Crossland & Hambrick, 2007; Wang, Holmes, Oh, & Zhu, 2016), economics (Bertrand & Schoar, 2003), finance (Malmendier & Tate, 2005a), psychology (Peterson, Smith, Martorana, & Owens, 2003), corporate social responsibility (Manner, 2010; Tang, Qian, Chen, & Shen, 2015), and accounting (Hiebl, 2014; Plöckinger et al., 2016). In addition, several studies using upper echelons theory show that organizations outcomes are a reflection of their managers' personality traits such as overconfidence (Engelen, Neumann, & Schwens, 2015), hubris (Hayward & Hambrick, 1997; Tang et al., 2015), and narcissism (Chatterjee & Hambrick, 2007, 2011).

In particular, several accounting studies have investigated the impact of CEOs characteristics or traits on management accounting and control systems (Abernethy & Wallis, 2019; Hiebl, 2014) and corporate financial reporting decisions as suggested by Plöckinger et al. (2016) and Abernethy and Wallis (2019) in two recent reviews. Plöckinger et al. (2016) and Abernethy and Wallis (2019) find overwhelming evidence

that managers demographic as well as psychological and behavioral characteristics affect financial reporting decisions such as age (Ge, Matsumoto, & Zhang, 2011; Ran, Fang, Luo, & Chan, 2015), gender (Barua, Davidson, Rama, & Thiruvadi, 2010; Francis, Hasan, Park, & Wu, 2015; Ge et al., 2011; Lin et al., 2014), tenure (Baatwah, Salleh, & Ahmad, 2015; Dyreng et al., 2010; Lewis et al., 2014), power (Bugeja, Matolcsy, & Spiropoulos, 2016; Kalyta & Magnan, 2008), turnover (Bernard, Godard, & Zouaoui, 2016), education and prior experience (Dyreng et al., 2010; Ge et al., 2011; Lewis et al., 2014), narcissism and Machiavellianism (Ham et al., 2017; Jia, Lent, & Zeng, 2014; Olsen et al., 2014; Olsen & Stekelberg, 2016; Rijsenbilt & Commandeur, 2013), and overconfidence (Ahmed & Duellman, 2013; Bouwman, 2014; Chen, Crossland, & Luo, 2015; Hribar & Yang, 2016; Hsieh, Bedard, & Johnstone, 2014; Presley & Abbott, 2013; Schrand & Zechman, 2012).

More recently, several studies have investigated the impact of managers' characteristics on corporate social responsibility by using the upper echelons framework. For instance, researchers document that managers' demographic characteristics (e.g., gender, educational background, functional work experience, tenure, political ideologies) influence both corporate social performance (Chin et al., 2013; Huang, 2013; Manner, 2010) and CSR disclosure (Lewis et al., 2014). Similarly, empirical evidence shows significant association between CSR performance and managers' psychological characteristics such as hubris (Tang et al., 2015), overconfidence (McCarthy et al., 2017), and narcissism (Petrenko et al., 2016).

Overall, prior literature has provided strong evidence consistent with the UET predictions by demonstrating that managers' characteristics affect organizational outcomes. However, despite the high degree of interest in the influence of managers' characteristics on corporate reporting (Lewis et al., 2014; Plöckinger et al., 2016) and CSR practices (Manner, 2010; McCarthy et al., 2017; Petrenko et al., 2016), prior archival research in accounting did not investigate the impact of CEO psychological characteristics on a particular type of voluntary disclosure: environmental and social disclosures. It would therefore be valuable to apply the stakeholder theory in combination with the upper

echelons perspective to help explain how CEO narcissism affect the extent of environmental and social disclosures. Our study seeks to fill this gap.

Chapter 2 Literature Review and Hypothesis Development

We are concerned in this study with how CEO narcissism may affect environmental and social disclosures. In this chapter we provide an overview of the literature and develop our hypotheses. First, we provide a review of the literature on voluntary disclosure. Second, we survey the literature on CSR disclosure. Third, we introduce the concept of CEO narcissism and discuss relevant prior literature on the effect of CEO narcissism on corporate outcomes. Finally, we propose four hypotheses on the relationship between CEO narcissism and the extent of environmental and social disclosures and the moderating role of corporate governance practices.

2.1 Literature Review

2.1.1 Understanding Voluntary Disclosure

The concept of symmetric information was first introduced in Modigliani and Miller's (1963) paper "*Corporate income taxes and the cost of capital: A correction*" In this paper, the authors assumed that there is an information symmetry among the agents in the economy, that is, all the agents share the same information. However, this assumption is unlikely to be true in practice; rather, information is asymmetric. Information asymmetry (Akerlof, 1970) occurs when one party has more or better information than the other when making decisions and transactions. When the information asymmetry between parties in a market is left unchecked, the adverse selection problem arises, that is, the worse agents start to dominate the market. In the organizational context, managers often have better information about firms' activities and financial conditions than outside stockholders and

non-investing stakeholders. Managers' superior information may lead to distorted prices and may make impossible the achievement of optimal resource allocation. Hence the central role of financial and non-financial disclosures in lowering information asymmetry. Disclosures about firms can be provided by the firms themselves as well as third parties including financial analysts, industry experts, and the financial press, auditors, rating agencies (Beyer, Cohen, Lys, & Walther, 2010; Healy & Palepu, 2001).

In this connection, corporate disclosure is an activity with the same prominence as other corporate activities including investment, production, and marketing (Lev, 1992). Hence, similar to other corporate activities, disclosure provides benefits and occurs costs. All this explains the great deal of attention to corporate disclosure from regulators, government agencies, practitioners, and researchers over the last two decades. The disclosure literature has emerged as one of the most important areas in accounting research (Miller & Skinner, 2015).

Despite the widespread expansion of accounting research, it faces several challenges. Williams (2008) explains the challenges facing disclosure research by the absence of a "comprehensive, or unifying, *theory* of disclosure" (Verrecchia, 2001: 98) and identifies three major challenges. First, the most used definitions of corporate disclosure focus on the disclosure of financial information (Gibbins, Richardson, & Waterhouse, 1990; Healy & Palepu, 2001; Ullmann, 1985). Second, special emphasis is placed on capital markets in explaining the factors that affect disclosure decision-making (Beyer et al., 2010; Healy & Palepu, 2001). For instance, Healy and Palepu (2001) and Ball (2001) focus on financial disclosure, but recognize the existence of other disclosure types that can be directed to stakeholders other than investors such as suppliers, customers, and employees. Third, until very recently (Bertomeu & Marinovic, 2016; Chen, Srinidhi, Tsang, & Yu, 2016; Cianciaruso & Sridhar, 2018; Guay, Samuels, & Taylor, 2016), the vast majority of disclosure studies tend to examine either mandatory or voluntary disclosure, rarely the two forms of disclosure simultaneously.

According to Williams (2008), corporate disclosure refers to "any purposeful public release of information—financial, social or environmental, required or voluntary, qualitative or quantitative—that is likely to have an impact on the company's competitive

performance and on the strategic decision-making of its internal and external audiences." (237). We agree with Williams' definition in many ways. First, corporate disclosure is the communication of several types of information such as financial, social, environmental, and governance information. Second, the communication of information is made by firms' managers toward a wide range of stakeholders including shareholders, lenders, customers, suppliers, employees. Third, corporate disclosure can take two forms: mandatory and voluntary disclosures.

Mandatory disclosure refers to providing accounting information required by law or code of practice (Gray, Javad, Power, & Sinclair, 2001) such as the Generally Accepted Accounting Principles (GAAP) and the recommendations of the Securities and Exchange Commission (SEC)[8] in the U.S. or the International Financial Reporting Standards (IFRS) in a large number of countries across the world. Financial reporting is a term frequently used to refer to mandatory disclosure (Ball, 2001; Williams, 2008). Firms communicate accounting information via regulated financial reports, footnotes, management discussion and analysis, proxy statements, and other regulatory filings.

Compared to mandatory disclosure, voluntary disclosure is the provision of information that is not required by a country's regulatory agencies such as the Securities and Exchange Commission (SEC) or the Financial Accounting Standards Board (FASB) in the U.S. (García-Meca & Sánchez-Ballesta, 2010; Graham, Harvey, & Rajgopal, 2005; Lev, 1992), but is nonetheless useful for stakeholders (Lev, 1992). Voluntary disclosure covers information in non-mandatory areas as well as information which, although undoubtedly is a part of mandated area goes beyond the minimum regulatory requirement (Gray et al., 2001). Research examining voluntary disclosure has referred to the existence of three types of information: (1) strategic information (i.e., general corporate characteristics, corporate strategy, acquisitions and disposals, research and development, and future prospects information); (2) financial information (i.e., segment information, financial review information, foreign currency information, and stock price information); and (3) non-financial information (i.e., information about directors, employee

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[8] The Securities and Exchange Commission (SEC) is an independent federal government agency that has the task of ensuring that financial reporting is carried out by respecting specific rules and specific formats such as the 8-K, 10-K, and 10-Q forms.

information, social responsibility and value-added disclosures)[9] (Meek, Roberts, & Gray, 1995; Narayanan, Pinches, Kelm, & Lander, 2000; Zahller, Arnold, & Robin, 2015). This information can be quantitative (such as earnings, dividends, energy usage), qualitative (such as corporate governance, strategy statement, equal opportunities), retrospective, and prospective (Lev, 1992).

Regarding the supply of voluntary disclosure, managers use various communication channels that can be accessed by stakeholders such as press releases (especially for new product introductions and awards), conference calls, management forecasts, analysts' presentations, investor and analyst meetings, announcement on websites, monthly newsletters, CSR reports, field visits with existing and potential institutional investors, social media, and other corporate reports (Graham et al., 2005; Healy & Palepu, 2001; Jung, Naughton, Tahoun, & Wang, 2018; Miller & Skinner, 2015; Zahller et al., 2015). It is obvious, therefore, that managers spend substantial time and effort on voluntary disclosure (Heinrichs, Park, & Soltes, 2019). The question which needs to be asked is therefore why managers voluntarily disclose information that is not required by regulators. Voluntary disclosure is far from being generated by a neutral process. Accounting researchers have long recognized the strategic aspects of voluntary disclosure (Lev, 1992). Managers typically possess superior private information relative to other corporate constituents (Kothari, Shu, & Wysocki, 2009) and exercise their discretion[10] over what to disclose and when to disclose (Verrecchia, 2001). Specifically, managers develop an information disclosure strategy (Beyer et al., 2010; Lev, 1992), that is, they evaluate the potential benefits and costs of providing information about their firms (Cormier & Magnan, 1999; Depoers, 2000; García-Meca & Sánchez-Ballesta, 2010; Graham et al., 2005; Healy & Palepu, 2001; Lee & Hutchison, 2005; Li & Yang, 2016). In this respect, Libby, Bloomfield, and Nelson (2002) suggest that managers provide disclosure which is in their own strategic interests and will report opportunistically.

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[9] Meek, Roberts, & Gray (1995) list 85 items of information categorized into the three major groups of information types.

[10] Nevertheless, some researchers assert that the discretion of managers over voluntary disclosure is limited by subsequent verification of the disclosed information and the inflexibility of the disclosure policies undertaken by firms over time (Bamber et al., 2010; Healy et al., 1999, Lang, 1999).

Several empirical studies in the accounting literature provide strong evidence that managers strategically control the flow of information (Hanley & Hoberg, 2012; Kothari et al., 2009; Lev, 1992; Lougee & Marquardt, 2004; Schrand & Walther, 2000). For instance, Schrand and Walther (2000) demonstrate that managers strategically select the prior period earnings components to influence the benchmark that investors use to interpret earnings changes. Similarly, Lougee and Marquardt (2004) investigate the determinants of the pro forma earnings disclosures and show that managers are more likely to include pro forma earnings information in firms' press releases when an earnings benchmark has been missed. Finally, Kothari et al. (2009) investigate the timeliness of bad and good news disclosure and provide evidence that managers promptly disclose good news to the market, but accumulate and withhold bad news until it becomes inevitable that the bad news will be released. Taken together, these results demonstrate the strategic character of voluntary disclosure decisions.

2.1.1.1 Managers' Motives for Providing Voluntary Disclosure

Managers' motives to disclose or withhold their superior knowledge of firms' operations and performance have been of interest for both analytical and empirical researchers in accounting (Healy & Palepu, 2001; Verrecchia, 2001). The common denominator of previous studies is that, while both financial and non-financial reasons would motivate managers to voluntarily disclose their private information, the majority of studies are from an accounting perspective, that is, they focus mainly on capital market incentives (Aguilera & Jackson, 2003; Dawkins & Fraas, 2013; Williams, 2008). Several motives affecting managers' disclosure decisions have been identified in the literature. Healy and Palepu (2001) identify six incentives for capital market reasons: capital market transactions, corporate control contests, stock compensation, litigation costs, proprietary costs, and management talent signaling.

Capital Market Transactions

Empirical studies generally document positive relationships between capital market outcomes and voluntary disclosure. That is, when managers raise financing in debt and equity markets, they are more likely to provide voluntary disclosure to reduce information asymmetry and lower the cost of capital (Frankel, McNichols, & Wilson, 1995; Healy &

Palepu, 1993, 1995; Myers & Majluf, 1984). Lang and Lundholm (1993) show that disclosure scores prepared by the Financial Analysts Federation were higher for firms that were issuing securities. Frankel et al. (1995) document a positive association between the issuance of qualitative or quantitative management forecasts of annual earnings and external financing transactions. Similarly, Ruland, Tung, and George (1990) and Marquardt and Wiedman (1998) show that the frequency of management earnings forecast issuance increases considerably around equity offering. Lang and Lundholm (2000) show that firms disclose more voluntarily six months prior to seasoned equity offerings. Finally, in the context of municipal bond market, Cuny (2016) find that issuers of insured municipal bonds disclose more voluntarily. Taken together, these studies provide evidence that managers engage in strategic information disclosure to alleviate information asymmetry and improve access to financing.

Corporate Control Contests

The empirical literature on the effect of managers' career concerns on their disclosure strategies is fairly limited (Beyer et al., 2010; Healy & Palepu, 2001), but there is support for the idea that this effect exists and matters. Previous studies provide evidence that firms' past performances provide signals about CEO ability (Banker, Darrough, Rong, & Plehn-Dujowich, 2013; Chang, Dasgupta, & Hilary, 2010). Accordingly, board of directors and investors are more likely to terminate CEOs' employment in the aftermath of poor stock performance (Denis & Denis, 1995; Huson, Malatesta, & Parrino, 2004; Warner, Watts, & Wruck, 1988; Weisbach, 1988). A more serious consequence of poor performance is the risk of hostile takeovers, which lead to the replacement of poorly performing CEOs. A large body of empirical literature shows that takeovers are associated with CEOs dismissal (Franks & Mayer, 1996; Lel & Miller, 2015; Martin & McConnell, 1991; Morck, Shleifer, & Vishny, 1990; Palepu, 1986). To avoid such drawbacks, managers are more likely to provide voluntary disclosure to explain the poor performance of their firms and increase firms' valuation (Graham et al., 2005; Healy & Palepu, 2001). However, as pointed out by Healy and Palepu (2001), Brennan (1999) is one of the rare researchers who empirically demonstrate that managers increase voluntary disclosure in the presence of takeover bids.

Stock-Based Compensation

The compensation packages awarded to the CEOs of publicly traded firms include more and more stock-based compensation plans such as option grants and stock appreciation rights (Bebchuk & Grinstein, 2005). These stock-equity compensation plans are a further explanation as to why managers provide voluntary disclosure or choose the timing of the disclosure (Beyer et al., 2010; Graham et al., 2005; Healy & Palepu, 2001; Hirst, Koonce, & Venkataraman, 2008). For instance, Nagar, Nanda, and Wysocki (2003) document a positive long-run relation between both managers' disclosure (i.e., earnings forecast frequency and disclosure quality) and the levels of their equity-based compensation. These results suggest that stock price-based incentives improve price informativeness. Noe (1999) shows that managers' trading explains why they time the release of good and bad earnings news. Specifically, the author finds that managers are more likely to sell more share after releasing good news and, inversely, they are more likely to buy more shares after releasing bad news. Similarly, Yermack (1997) and Aboody and Kasznik (2000) find that managers with stock-based incentives tend to accelerate the release of bad news and/or withhold good news to maximize the value of upcoming scheduled stock option grants.

Litigation Costs

The extent to which the threat of litigation motivates managers to provide disclosure is an unresolved question (Houston, Lin, Liu, & Wei, 2019). In theory, the threat of litigation may encourage or discourage managers to provide disclosure (Healy & Palepu, 2001). Survey evidence by Graham et al. (2005) suggests that around half of managers agree with the statement that they are less inclined to provide disclosure to avoid lawsuits (46% agree versus 25% that disagree). However, empirical research on the effect of litigation costs on voluntary disclosure provides mixed results. Because litigation is very costly, managers may pre-emptively increase disclosure to avoid subsequent litigation and its cost (Field, Lowry, & Shu, 2005; Kasznik & Lev, 1995; Lev, 1992; Skinner, 1994, 1997). For instance, Skinner (1994, 1997) provides empirical evidence that managers issue earnings forecasts, in particular when they involve bad news, to lower the probability of

a lawsuit and, if a lawsuit cannot be avoided, to reduce the expected legal costs. Similarly, Kasznik and Lev (1995), Field et al. (2005), Cao and Narayanamoorthy (2011), and Donelson, McInnis, Mergenthaler, and Yong (2012) find that managers voluntarily issue earnings warnings to deter litigation. On the other hand, managers are less willing to provide disclosure when they perceive that it might trigger litigation. In particular, managers may be reluctant about providing forward-looking information (Healy & Palepu, 2001). For instance, Francis, Philbrick, and Schipper (1994) show that the issuance of earnings warnings precipitated a large price drop and were followed by securities lawsuits. In the same vein, Johnson, Kasznik, and Nelson (2001) and Baginski, Hassell, and Kimbrough (2002) show that managers are more likely to issue earnings forecasts when they perceive that the risk of litigation is small. Another, perhaps even more important explanation for the inconsistency of previous research regarding the relation between voluntary disclosure and litigation cost is that both the quantity and the type (i.e., good news versus bad news) of disclosure must be taken into consideration (Lowry, 2009).

Proprietary Costs

Proprietary costs arise when the disclosed information is more likely to benefit competitors (Lev, 1992) or result in government regulation (Meek et al., 1995). Previous research has suggested that managers are more likely to provide voluntary disclosure when the benefits of reducing information asymmetry with capital market participants exceed the costs of aiding competitors by revealing proprietary information (for a review, see Dye, 2001; Verrecchia, 2001). It was largely concluded that managers are less likely to voluntarily disclose information that could be competitively harmful (Verrecchia, 1983). Beyer et al. (2010) point out that the empirical evidence on the influence of proprietary costs managers' disclosure decisions is mixed. For instance, Hayes and Lundholm (1996) demonstrate that firms provide finer disaggregated information only when they know that their competitors will not use the information to their disadvantage, that is, only when their business segments perform similarly. Botosan and Stanford (2005) show that, to protect their profits in less competitive industries, firms with higher proprietary costs are more likely to withhold segment disclosures under SFAS No. 14.

Verrecchia and Weber (2006) demonstrate that firms tend to redact proprietary information from their material contract filings when they are in a competitive industry. In the same vein, Ellis, Fee, and Thomas (2012) show that, to protect their rents, firms operating in less competitive industries are less likely to supply information about their large customers. More recently, Cassar, Gerakos, Green, Hand, and Neal (2018) find that managers of better-performing hedge funds provide less quantitative data about performance and holdings to reduce proprietary costs. However, Berger and Hann (2007) report mixed results when investigating the impact of proprietary costs on managers' incentives to disclose information about segment profits.

Management Talent Signaling

According to Trueman (1986), talented managers are more likely to provide voluntary earnings forecasts to signal their type. The underlying reasoning is that firm's market value is to a very large degree dependent on how investors perceive managers' ability. Consequently, to highlight their ability to anticipate future changes, talented managers are motivated to issue earnings forecasts (Healy & Palepu, 2001). Graham et al. (2005) suggest that management signaling talent tend to be more important for managers of smaller and high-growth firms. Nevertheless, there is no empirical data to support this assertion (Healy & Palepu, 2001).

It is clear from the preceding review of managers' incentives to disclose voluntarily information that the type of disclosure (i.e., good news versus bad news) matters. Survey evidence by Graham et al. (2005) suggests that managers consider bad news disclosure differently from good news disclosure. This finding is confirmed by both empirical and analytical research. Previous accounting researchers have widely acknowledged that managers differentially manage the disclosure of bad and good news (Francis et al., 1994; Graham et al., 2005; Kothari et al., 2009; Kumar, Langberg, & Sivaramakrishnan, 2012; Miller & Skinner, 2015; Skinner, 1994, 1997). Managers may have differential incentives to release good news versus bad news. Hence, under certain circumstances, managers are more inclined to disclose bad news early. Skinner (1994) provides evidence that litigation risk can motivate managers to pre-empt the disclosure of bad news to prevent stock price declines on earnings announcement dates. Similarly, Graham et al. (2005) report that the

majority of managers assert that they disclose bad news faster than good news to avoid lawsuits (77% agree versus only 8% that disagree). In their analytical study, Kumar et al. (2012) show that managers disclose bad news to achieve investment efficiency. Stock option grants may also motivate managers to time the release of good and bad news. As suggested above, managers are more likely to disclose bad news early and/or withhold good news to lower the exercise price of the options in the period preceding option grants (Aboody & Kasznik, 2000; Yermack, 1997). Finally, Skinner (1994) and Graham et al. (2005) suggest that establishing a reputation of transparent reporting motivate managers to release bad news faster than good news. On the other hand, managers may have motivations to withhold bad news. For instance, career concerns may motivate managers to delay bad news disclosure. Kothari et al. (2009) find that managers quickly disclose good news but delay the disclosure of bad news until it becomes inevitable that the bad news will be released. They suggest that managers withhold bad news to avoid wealth loss and quick termination. That is, termination could be expensive for managers as not only they would lose their future incomes and postretirement benefits (such as directorships) from their current employer, but they will also experience a marked decrease in future employment opportunities (Kothari et al., 2009).

2.1.1.2 Voluntary Disclosure Consequences

Voluntary disclosure consequences refer to the financial and non-financial outcomes associated with the disclosure of information that is not required by the FASB and the SEC. A large body of literature provides evidence that firms benefit from improved terms of exchange with market participants and other stakeholders by providing voluntary disclosure (Dhaliwal et al., 2014; Francis et al., 2008b; Leuz & Verrecchia, 2000; Lo, 2014). We organize our discussion in this subsection around those consequences: reducing information asymmetry/cost of capital, improving stock liquidity, increasing information intermediation, and building and enhancing reputation for accuracy and transparency.

Reducing Information Asymmetry/Cost of Capital

Theoretical models (Diamond, 1985), survey results (Graham et al., 2005), and empirical findings (Dhaliwal et al., 2011; Leuz & Verrecchia, 2000; Lo, 2014; Sethuraman, 2019),

lend credence to the argument that managers provide voluntary disclosure, both in quantity and quality, in order to reduce information asymmetry which, in turn, leads to a lower cost of capital. The negative relation between voluntary disclosure and cost of capital respond to the estimation risk perspective. Barry and Brown (1984, 1985, 1986) and Merton (1987) suggest that when managers possess more information than outsiders, the latter will demand an information risk premium. Consequently, managers reduce the cost of capital by decreasing information risk via increased voluntary disclosure. At this respect, previous studies have provided strong evidence supporting that voluntary disclosure affects negatively the cost of capital. For instance, using a dataset of peer-to-peer loans collected form Proper.com, Michels (2012) find that including voluntary, unverifiable disclosures in a loan listing (e.g., intended use of proceeds, interest rates on other debts, explanations for poor credit ratings, or a picture) influence lenders by both decreasing the interest rate on a loan and increasing the bidding activity on a loan. Dhaliwal et al. (2011) conduct one of the few studies that investigate the effect of CSR disclosure on the cost of equity capital. Using an international sample covering 31 countries from 1995 to 2007, they document a negative relationship between CSR disclosure and cost of equity capital in countries that are more stakeholder-oriented and in countries and firms that are more financially opaque. More recently, in the context of bond markets, Sethuraman (2019) investigates whether managers provide more voluntary disclosure when their credit rating agency experience a loss in reputation. Using management earnings forecasts as a measure of voluntary disclosure, he finds that managers issue more earnings forecasts to reduce information asymmetry.

Improving Stock Liquidity

The liquidity of securities is measured by investors' transactions costs of buying and selling a security. These costs include the small commission paid to brokers and the bid-ask spread (i.e., the difference between the "bid" and asked" prices) (Lev, 1992). The existence of information asymmetries could affect seriously stock liquidity, that is, when informed investors have access to more information than uninformed investors who only have access to public information. In such case, the "market maker" would increase the bid-ask spread by offering a lower purchase price and a higher selling price for the security

as a protection against losses from trading with informed investors (Lev, 1992). Since voluntary disclosure reduces information asymmetry (Cormier, Ledoux, & Magnan, 2011; Diamond & Verrecchia, 1991; Healy et al., 1999; Kim & Verrecchia, 1994; Leuz & Verrecchia, 2000), theoretical models have demonstrated that voluntary disclosure may affect stock liquidity (Bushman & Indjejikian, 1995). Balakrishnan, Billings, Kelly, and Ljungqvist (2014) investigate the influence of managers on the liquidity of their firms' shares. They use a natural experiment involving a large number of coverage terminations for U.S. firms from 2000 to 2008 and show that managers respond to negative shocks to their information environments by providing more voluntary disclosure, which can directly improve stock market liquidity and firm value. Using an index-fund setting, Schoenfeld (2017) investigates the effect of voluntary disclosure on stock liquidity. He suggests that index funds are nonstrategic traders because their clients purchase and redeem index fund shares for nonstrategic reasons such as personal consumption. Compared to managed funds, index funds have a competitive advantage because they offer an important cost advantage by owning large Index of stocks and keeping expense ratios and liquidity-related trading costs low. This special feature of index fund explains their preference for greater disclosure. Schoenfeld (2017) shows that when the level of index fund ownership increases, managers are more likely to provide voluntary disclosure, and consequently, increase stock liquidity.

Increasing Information Intermediation

Information intermediaries such as sell-side analysts and rating agencies play an informational role by assimilating both public and private information about firms and conveying forward-looking information to investors (Sethuraman, 2019; Yu, 2008). Schipper (1991) argues that sell-side analysts are one of the most important and sophisticated groups of financial information users. Accounting literature provides strong empirical evidence suggesting that financial analysts' coverage is positively related to greater disclosure (Healy et al., 1999; Hope, 2003; Lang, Lins, & Miller, 2003; Lang & Lundholm, 1996; Tan, Wang, & Welker, 2011). In particular, managers enhance firms' information environment by providing voluntary disclosure and, consequently, lower the cost of information acquisition on the part of sell-side analysts (Bhushan, 1989a, b; Lang

& Lundholm, 1996). In their survey, Graham et al. (2005) report that 50.8% of CFOs provide voluntary disclosure to increase the number of analysts following the firm. Empirical evidence broadly corroborates CFOs' assertion. For instance, Lang and Lundholm (1993) document that firms having a higher rating of voluntary disclosure are likely to have more covering analysts. Lang and Lundholm (1996) show that firms with more informative disclosure policies have greater analyst following, more accurate analyst earnings forecasts, less dispersion among individual analyst forecasts, and less volatility in forecast revisions. Healy et al. (1999) find that an increase in disclosure is positively related to an increase in the probability of industry-adjusted analyst coverage.

Building and Enhancing Reputation for Accuracy and Transparency

Providing voluntary disclosure has the potential to help managers build and enhance their reputation for accuracy and transparency. Stocken (2000) suggests that managers can build a reputation for reporting truthfully. Graham et al. (2005) report that 92.1% of the surveyed CFOs have admitted that developing a personal reputation for accuracy and transparency is the rationale behind providing voluntary disclosure. This clearly shows that managers are acutely aware that favorable reputation for credible disclosure is enduring (Mercer, 2004). Empirical studies provide evidence suggesting that providing voluntary disclosure promotes managers' reputation for transparent reporting. For example, Williams (1996) shows that the accuracy of managers' prior earnings forecasts enable them to build a favorable reputation and heighten the believability of their subsequent forecasts to the extent that financial analysts revise their earnings forecast following the release of managers' earnings forecasts. Cianci and Kaplan (2010) use an experimental design to examine the influence of the CEO's pre-existing reputation and the plausibility of management explanations for poor performance. They show that investors are more likely to accept managers' implausible explanations for poor performance only when CEOs' pre-existing reputations are favorable. These results suggest that favorable reputation is an enduring trait.

2.1.1.3 The Concept of Transparency

It follows from the latter point that managers' reputation for transparency is supremely important. Managers therefore have to release not only good news but also bad ones to

develop a reputation for providing timely and accurate information (Graham et al., 2005). There is strong evidence that both mandatory and voluntary disclosures enhance corporate transparency and thus reduces information problems (Healy & Palepu, 2001; Jo & Kim, 2007, 2008). Here, a distinction must be made between disclosure and transparency. The vocation of corporate disclosure is the provision of relevant information in a timely manner, whereas transparency is about the availability of information to all the stakeholders (Bushman, Piotroski, & Smith, 2004; Dawkins & Fraas, 2013; Hebb, 2006; Williams, 2008).

A comprehensive review of the concept of transparency is beyond the scope of this study[11]. Williams (2005) considers transparency as the provision of relevant, timely, and reliable information in written and verbal form to stakeholders. Dubbink, Graafland, and van Liedekerke (2008) suggest that transparency enhances allocative efficiency, dynamic efficiency, and innovation. They identify three criteria for evaluating transparency policies: efficiency (i.e., providing high quality information at an affordable cost), freedom, and virtues (such as openness, awareness, and honesty). According to Hess (2007, 2008) and Fung, Graham, and Weil (2007), transparency refers to stakeholders' right to know. Elia (2009) addresses corporate transparency by exploring stakeholder rights and expectations. He also contends that a theory of stakeholder rights should serve as a guide for providing disclosure. Elia (2009) promotes an instrumental conception of transparency rights and points out that:

> the best moral justification for corporate transparency calls on its instrumental role in the protection of widely shared stakeholder interests, and that the language of transparency rights, or moral rights to know, best captures the force of corporate responsibilities. (152)

Gelb and Strawser (2001) suggest that providing extensive and informative disclosures is a socially responsible activity. Using the disclosure ranking provided by the annual

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[11] Vaccaro and Madsen (2009) review the etymological origins of the term transparency and its use in various fields.

Association for Investment Management and Research Corporate Information Committee Reports (AIMR) as a measure of financial disclosure level, they show that disclosure level is positively related to CSR performance. They suggest that firms provide information because it is the socially responsible thing to do. In the same vein, Jo and Kim (2008) consider as socially responsible firms those that provide extensive voluntary disclosure and ethical firms as those with limited earnings management. Using a sample of seasoned equity offering firms, the authors show that disclosure is endogenously determined and negatively related to earnings management. Jo and Kim (2008) view ethics and disclosure as endogenous, specifically, because socially responsible disclosure (i.e., increased disclosure) helps reduce information asymmetry, enhances corporate transparency, and promotes ethical corporate behavior. On the other hand, Turilli and Floridi (2009) argue that transparency is not an ethical principle per se, but a pre-ethical condition that can either enable or hinder other ethical practices or principles. They also list the characteristics the information disclosed, that is, it has to be meaningful, veridical, comprehensible, accessible, and useful. Vaccaro and Madsen (2009) address dynamic transparency, which promotes corporate stakeholder engagement and dialogue. They emphasize that dynamic transparency is a more ethical form of transparency because it maintains continuous interactions with stakeholders. Relatedly, das Neves and Vaccaro (2013) consider transparency as an informational mechanism necessary for performing the virtues of truthfulness, justice, and prudence.

To the extent that CSR disclosure is an integral part of corporate voluntary disclosure activities (Fuhrmann et al., 2017), Hess (2007) suggests that it pursues two goals: stakeholder engagement and organizational transparency. As such, CSR disclosure is intended as a governance mechanism, in the sense that informed stakeholders will become empowered and will hold corporations accountable for their actions (Hess, 2007). The following subsection aims to provide a review of CSR disclosure.

2.1.2 Exploring CSR Disclosure

CSR disclosure has become a significant part of the corporate accounting reporting framework and now has the same standing as financial reporting, income tax reporting,

regulatory reporting, and internal reporting (Tschopp & Huefner, 2015). One of the key features of modern economic life is that the interactions between firms and their host environments are highly important (Preston, 1975). The result is that shareholder value maximization is not the sole objective of a typical corporation (Furubotn & Pejovich, 1972). Instead, the role of contemporary corporations is to search for a balance between the maximization of shareholder profits and the maximization of social welfare. It follows that financial reporting is no longer sufficient to assess the efforts that firms make to respond to societal interests. To lower the information asymmetry between managers and stakeholders like shareholders, lenders, suppliers, customers, and employees (Ball, 2001), firms provide information on their social and environmental impacts.

As with financial reporting, numerous literature reviews have been carried out during the last few decades to list the factors affecting the adoption[12], the extent[13], and the quality[14] of CSR disclosure (Adams, 2002; Baldini et al., 2018; Berthelot et al., 2003; Fifka, 2013; Gray et al., 1995; Hahn & Kühnen, 2013; Kolk, 2010; Lee & Hutchison, 2005; Morhardt, 2010; Roberts, 1992a; Roberts, 1992b). While these studies have used various research approaches, there is a consensus, not only regarding the presence of the internal determinants of CSR disclosure (i.e., corporate size, industry group, financial performance, CSR performance, ownership structure, corporate governance, and manager attitude and characteristics), but also regarding the presence of the external determinants (i.e., corporate visibility, the legal context, and the country of origin). In what follows, the concepts of CSR, CSR performance, and CSR disclosure are defined, and then the determinants of CSR disclosure are put forward.

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[12] The adoption of CSR disclosure concerns the decision or likelihood to provide disclosure (Hahn & Kühnen, 2013).

[13] The extent of CSR disclosure focuses on the volume or amount of disclosure, that is, the quantity of disclosed information using keyword-, sentence- or page-counts (Hahn & Kühnen, 2013).

[14] The quality of CSR disclosure deals with "the provision of information ranging from rather narrative and descriptive disclosure (i.e., 'soft' information which is not easily verifiable such as strategy claims) to specific, quantifiable, and monetary data (i.e., 'hard facts' and objective data such as quantitative performance indicators) and thus asks for the kind of information being conveyed" (Hahn & Kühnen, 2013: 10).

2.1.2.1 The Link between CSR, CSR Performance, and CSR Disclosure

The literature on CSR embraces several similar and interrelated concepts including CSR, CSR performance, and CSR disclosure. However, it is important to distinguish between these three concepts. The roots of CSR go back to the 1950s, but since then several definitions have emerged (Dahlsrud, 2008; Margolis & Walsh, 2003), although none of them has been fully accepted yet (Crane, McWilliams, Matten, Moon, & Siegel, 2008; Freeman & Hasnaoui, 2011). For instance, Windsor (2006) proposes a broad definition of CSR and considers it as "any concept concerning how managers should handle public policy and social issues" (93). Davis (1973) refers to CSR as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firms" (312). Carroll (1979, 1991) distinguishes four types of social responsibilities: economic, legal, ethical, and philanthropic responsibilities and argues that "the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991: 43). Aguinis (2011) defines CSR as a "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance." (855). The discussion in this study follows a comprehensive definition, which is gaining worldwide currency. According to the World Business Council for Sustainable Development, CSR is "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large." (WBSCSD Stakeholder Dialogue on CSR, The Netherlands, Sept 6-8 cited by Holme & Watts, 2000: 3).

On the other side, CSR performance emphasizes the outcomes resulting from corporations' acceptance of social responsibility and from their adoption of a responsiveness philosophy (Carroll & Buchholtz, 2012). Several researchers have attempted to clarify the CSR performance construct (Carroll, 1979, 1994; Griffin & Mahon, 1997; Stanwick & Stanwick, 1998; Swanson, 1995; Wartick & Cochran, 1985; Wood, 1991). For instance, based on Carroll (1979) and Wartick and Cochran (1985) works, Wood (1991) defines CSR performance as "A business organization's configuration of principles of social responsibility processes of social responsiveness, and

policies, programs and observable outcomes as they relate to the firm's societal relationships." (693).

Specifically, Wood (1991) distinguishes among three outcomes types of corporate behavior: (1) the social impacts of corporate behavior; (2) the programs that companies use to implement responsibility and/or responsiveness; and (3) the policies that companies develop to handle social issues and stakeholder interests. Carroll (1991) narrows the focus of CSR performance to results and adds that CSR performance suggests "an all-encompassing orientation toward normal criteria by which we assess business performance to include quantity, quality, effectiveness, and efficiency." (40). The question which obviously arises is who is competent for measuring CSR performance. Social and environmental rating agencies such as MSCI (ESG Intangible Value Assessment (IVA), formerly known as KLD), Sustainalytics (ESG indicators), Thomson Reuters (Asset4), Trucost, or Sustainable Asset Management (SAM) provide social and environmental performance indicators (Bouten, Cho, Michelon, & Roberts, 2016; Chatterji, Levine, & Toffel, 2009; Cho & Patten, 2013; Delmas, Etzion, & Nairn-Birch, 2013). These rating agencies develop CSR performance ratings by using information provided voluntarily by companies about their social and environmental behaviors as well as information gathered from other sources (Cho & Patten, 2013). That is, CSR performance ratings "have been constructed for benchmark reasons, that is, to provide a parsimonious index that condenses the social, environmental and economic evaluation of a corporation into one number that reflects its CSR efforts." (Bouten et al., 2016: 4).

However, although CSR performance data is available, firms continue to provide CSR disclosure. One plausible reason is that CSR disclosure contains more information than CSP ratings (Dhaliwal et al., 2011). Making a parallel with footnote disclosure and management discussions, Dhaliwal et al. (2011) affirm that detailed CSR disclosure can provide additional information permitting a better understanding of summary CSR performance ratings. There is a need here to define what CSR disclosure is. Several definitions of CSR disclosure (so-called) "corporate social disclosure", can be found in the literature. For instance, Gray et al. (1995) suggest that CSR disclosure may comprise, in a broad manner, "both self-disclosure by organizations and disclosure about

organizations by third parties; information in the annual report and any other form of communication; both public domain and private information; information in any medium (financial, nonfinancial, quantitative non-quantitative)" (47). Williams (1999) suggests that CSR disclosure contains "information about the products a disclosure company produces, the countries in which it does business, the labor and environmental effects of the company's operations ...as well as specified information about political and charitable contributions." (1201). Hess (2001, 2008) distinguishes between social accounting, auditing, and disclosure. He suggests that "social accounting refers to the measurement and collection of information, social auditing to the evaluation of a company's performance against selected standards, and social disclosure to the disclosure of that information to the public" (Hess, 2008: 454). As such, CSR disclosure is a part of the dialogue between the firm and its stakeholders (Gray et al., 1995), that is, the people with whom it interacts or on whom it relies (such as financial stakeholders, suppliers, customers, vendors, employees, and local communities) as well as the physical environment in which it operates (Gray et al., 1995; Williams, 1999). Specifically, this form of dialogue is engaged by managers for strategic reasons (Deegan, 2002; Nielsen & Thomsen, 2007; Roberts, 1992b). Managers have incentives to inform, engage with and involve key stakeholders (Morsing & Schultz, 2006) about their various CSR programs and initiatives (Deegan, 2002) with the aim of "enhancing business's image and reputation" (Golob et al., 2013) and maintaining or creating its legitimacy to survive and prosper (Cho & Patten, 2007; Deegan, 2002; Nielsen & Thomsen, 2007).

2.1.2.2 Types of CSR Disclosure: Mandatory and Voluntary Approaches

In the area of corporate accounting, CSR disclosure literature retains generally the differentiation between mandatory and voluntary CSR disclosure[15] (Ioannou & Serafeim, 2017; Overland, 2007; Stubbs & Higgins, 2018; Thirarungrueang, 2013). Mandatory CSR disclosure concerns disclosure about social and environmental issues such as civil rights,

[15] At the same time, Golob and Bartlett (2007) and Van der Laan (2009) suggest that CSR disclosure may be mandatory, solicited or voluntary. Solicited CSR disclosure refers to information about CSR issues requested directly by some stakeholders' groups such as non-governmental organizations (NGOs), activists, socially responsible investment (SRI), trade union representatives, information intermediaries, and other interest groups (Van der Laan, 2009). This type of CSR disclosure could be in the form of information gathered by means of questionnaires, site visits or interviews (Van der Laan, 2009).

consumer and environmental protection, and business ethics aimed to comply with laws and regulations or stock exchange listing requirements (Ioannou & Serafeim, 2017). In recent years, regulatory bodies (i.e., governments, financial regulators, and stock exchanges) around the world have issued CSR disclosure regulations such as Denmark (Frost, 2007; Ioannou & Serafeim, 2017), the Netherlands, Norway, Sweden, Spain (Holgaard & Jørgensen, 2005), France (Chauvey, Giordano-Spring, Cho, & Patten, 2015; Egan, Mauleon, Wolff, & Bendick Jr, 2009), China, Malaysia, South Africa, Brazil, Hong Kong, and India (Ioannou & Serafeim, 2017). In addition, at the supranational level, the EU Commission[16], through the Directive 2014/95/EU[17], mandates for CSR disclosure by requiring large companies to disclose certain non-financial and diversity information such as environmental protection, respect for human rights, anti-corruption and bribery, treatment of employees. However, despite the steady growth of the request to provide CSR disclosure as documented by the report of KPMG and partners (2016)[18], wide variations exist across countries. The report shows that in many countries, CSR disclosure requirements concern mainly large companies, state-owned enterprises, the largest companies in the stock exchange, and companies operating in high-impact industries such as mining and oil and gas industries. For instance, Denmark mandates CSR disclosure only for large companies while Finland and Sweden mandate CSR disclosure only for state-owned corporations (Ioannou & Serafeim, 2017).

Mandatory CSR disclosure has its specific advantages and drawbacks. The advantages of mandatory CSR disclosure are manifold: enabling the measurement of CSR performance by stakeholders, increasing of the degree of comparability due to the use of a uniform disclosure framework (Overland, 2007; Stubbs & Higgins, 2018), eliminating manipulations by limiting managers' discretion in providing positive information (Hess, 2008; Overland, 2007; Stubbs & Higgins, 2018). In addition, mandatory CSR disclosure would promote a climate that enables corporations and managers to focus on their social

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[16]The European commission website consulted on https://ec.europa.eu/info/business-economy-euro/company-disclosure-and-auditing/company-disclosure/non-financial-disclosure_en

[17]The directive can be consulted on http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095

[18] Available at https://assets.kpmg.com/content/dam/kpmg/pdf/2016/05/carrots-and-sticks-may-2016.pdf

and environmental impacts and allow stakeholders to assess how corporations manage their impacts on society and the environment, particularly investors and customers who have ethical concerns (Overland, 2007; Thirarungrueang, 2013). Empirical studies show that the enactment of CSR disclosure requirements had led to an increase in shareholder value (Ioannou & Serafeim, 2017) and an increase in the number of firms providing CSR disclosure in Denmark, South Africa, China, Malaysia (Ioannou & Serafeim, 2017), and France (Stubbs & Higgins, 2018). This increase in the extent of CSR disclosure will be beneficial for companies because it will result in improving corporate brand and reputation, recruiting and retaining talented employees, and enhancing access to finance (Ioannou & Serafeim, 2017).

However, beside the benefits mentioned above, mandatory CSR disclosure has also drawbacks. The opponents of CSR disclosure point out the high cost of compliance (Ioannou & Serafeim, 2017; Overland, 2007; Thirarungrueang, 2013), which may affect corporate competitiveness (Jaffe, Peterson, Portney, & Stavins, 1995; Porter & van Der Linde, 1995). It has been argued that disclosure requirements could promote a "tick-a-box" culture instead of increasing transparency and accountability (Fallan & Fallan, 2009; Overland, 2007). Even more importantly, the various mandatory CSR disclosure frameworks existing around the world have several shortcomings related to the lack of enforcement (Ioannou & Serafeim, 2017; Overland, 2007; Patten, 2005; Stubbs & Higgins, 2018; Thirarungrueang, 2013), the lack of clearly defined system of sanctions for non-compliance (Bhimani, Silvola, & Sivabalan, 2016; Blacconiere & Patten, 1994; Cho & Patten, 2008, 2013; Gamble, Hsu, Kite, & Radtke, 1995; Thirarungrueang, 2013), and the absence of quality assurance standards for the preparation of credible CSR reports (Stubbs & Higgins, 2018). Specifically, the existing requirements provide only the minimum norms with which corporations must comply (Robinson, 2002; Stubbs & Higgins, 2018) and utilize the "comply or explain" mechanism, which gives companies the option not to report, providing that they can explain why CSR disclosure cannot be provided (Ioannou & Serafeim, 2017; Overland, 2007; Thirarungrueang, 2013). It would then be possible that companies use prohibitive costs as an excuse for regulatory non-compliance to provide CSR disclosure (Overland, 2007; Thirarungrueang, 2013). It is for

these reasons that Cho and Patten (2013) propose to consider CSR disclosure as voluntary even in the presence of CSR disclosure requirements.

On the other hand, voluntary CSR disclosure is provided by companies in the form of narratives in annual reports, information provided on the companies' websites, and stand-alone CSR reports (Cho & Patten, 2013; Guthrie & Mathews, 1985; Pérez, García De, & López, 2015). Williams (1999) refers to voluntary CSR disclosure as the disclosure that is "lawful…or even constitutionally protected…, or concerning voluntary corporate efforts to go beyond the requirements of law" (1201). In this respect, it should be underscored that corporate managers who choose to provide voluntarily CSR information have wide latitude in determining "what to report on, how to report, what level of detail is required and where the information will be published" (van der Laan, 2009: 21). Firms, international organizations, and developed states strongly approve voluntary CSR disclosure and, as a consequence, a multitude of different CSR disclosure frameworks have emerged (Stubbs & Higgins, 2018) such as the United Nations Global Compact (UNGC), the AccountAbility's AA1000 Series, the Organization for Economic Cooperation and Development (OECD) Guidelines, the Global Disclosure Initiative (GRI), the International Labour Organization (ILO) Conventions, the International Organization for Standardization (ISO) Standards, ISO 26000, SA8000, and the Carbon Disclosure Project (CDP) (Siew, 2015). Nevertheless, the Global Disclosure Initiative (GRI) reporting guidelines, the AccountAbility's AA1000 Series, and the United Nations Global Compact (UNGC) remain the most widely adopted CSR disclosure guidelines (Koerber, 2009; Tschopp & Huefner, 2015).

Like mandatory CSR disclosure, voluntary CSR disclosure has advantages and drawbacks. For instance, Tietenberg (1998) suggests that the increase in disclosure on pollution to the stakeholders improves significantly pollution control via the reduction of emissions, even in the absence of regulatory controls. Doane (2002) suggests that companies providing voluntary CSR disclosure tend to have better risk management practices and better financial performances. In the Norwegian context, Fallan and Fallan (2009) compare the effects of regulation and voluntary approaches on the volume and content of environmental disclosure. They provide evidence that regulations fail to

motivate companies to comply due to the absence of close reviews, auditing controls, and enforcements. On the other hand, Fallan and Fallan (2009) find that the voluntary approach leads to an improvement of the environmental disclosure because companies seek to meet the heterogeneous requirements of their stakeholders to legitimate their existence toward society at large.

In the light of the above, it turns out that voluntary CSR disclosure has many potential benefits for companies, but it has some limitations as well. Overland (2007) highlights the ad hoc and arbitrary nature of the voluntary approach, which makes the appropriate assessment of companies' CSR reporting practices difficult. She also argues that voluntary CSR disclosure may become a "public relations" exercise because companies are free in their choice as to report on CSR issues or not and have considerable latitude in terms of "the manner in which it will occur, the nature of the information to be provided, and the way in which it will be presented" (Overland, 2007: 19). It would follow then that corporate managers have wide discretion in selecting the CSR information to disclose and may be more inclined to provide only "good stories" (Overland, 2007) and to overlook "bad stories". In this regard, Hess (2008) has expressed his concerns over corporate managers' large discretion over voluntary CSR disclosure and has suggested that "to the extent that social reporting remains voluntary and a 'business case' is necessary for companies to engage in the practice, then the potential for managerial capture is high" (Hess, 2008: 473). In addition to outlining the non-enforcement nature of voluntary CSR disclosure, some critics have gone further to claim that due to the absence of a uniform and structured CSR disclosure framework, achieving sufficient comparability and making a proper and justifiable evaluation of corporate practices is becoming difficult, if not impossible (Overland, 2007; Thirarungrueang, 2013).

This being said, it has to be emphasized that, in practice, mandatory and voluntary CSR disclosure are not mutually exclusive, on the contrary they are complementary (Stubbs & Higgins, 2018). Companies produce most often mandatory as well as voluntary CSR disclosure. For instance, the recent report published by KPMG and partners (2016), which used the data of 71 countries including several OECD countries, shows the coexistence of the two disclosure approaches with the dominance of mandatory CSR

disclosure (i.e., 65% of the cases) over voluntary CSR disclosure. This is especially the case for North America where mandatory CSR disclosure presents 80% of the cases. In the U.S. context, the focus of our study, Williams (1999) points out the coexistence of the mandatory and voluntary approaches. Mandatory CSR disclosure concerns companies' disclosure on CSR activities to meet legal requirements of either U.S. law or international treaties to which the U.S. is a signatory (Williams, 1999). In addition, several industrial standards in certain specified sectors regulate CSR disclosure. For instance, U.S. electric utilities are required to report information on air pollution to the Environmental Protection Agency (EPA) (Hughes, 2000). Similarly, pulp and paper companies are required to report annual estimates of toxic released to the EPA (Clarkson, Li, & Richardson, 2004). Nevertheless, it should be noted that beside government and sector regulations, the extent and quality of CSR disclosure are determined by several internal and external factors.

2.1.2.3 Determinants of CSR Disclosure

In the following paragraphs, we briefly review the results from the literature focusing on the influence of internal and external factors on CSR disclosure.

Internal Determinants of CSR Disclosure

A wide range of corporate characteristics are identified such as firms' size, industry membership, financial performance, ownership structure, and managers' perceptions and characteristics.

Firm size. Large firms are more visible targets than small- or medium-size ones (Gallo & Christensen, 2011; Watts & Zimmerman, 1986). Because of their greater impact on the economy, society, and the environment, large firms attract the attention and scrutiny of a wide number of stakeholders (Baldini et al., 2018; Gallo & Christensen, 2011; Patten, 1991). These stakeholders may exert political pressures and may induce higher political costs (Watts & Zimmerman, 1978). Consequently, as pointed out by the positive accounting theory, large firms face potentially higher political costs (Watts & Zimmerman, 1978). To counter these potential political costs, large firms tend to disclose more CSR information (Belkaoui & Karpik, 1989). In addition, providing CSR information is costly for firms (Watts & Zimmerman, 1978). Greater availability of slack

resources in large firms is also a major reason why they are more likely to provide CSR information than small firms (Haddock, 2005). Prior research has largely documented a positive association between firm size and the adoption (Brammer & Pavelin, 2006; Gallo & Christensen, 2011; Haddock, 2005; Haddock & Fraser, 2008), the extent (Baldini et al., 2018; Cormier et al., 2004; Cormier & Magnan, 2003; Gamerschlag, Möller, & Verbeeten, 2011; Prado-Lorenzo et al., 2009) and the quality of CSR disclosure (Brammer & Pavelin, 2006; Clarkson, Li, Richardson, & Vasvari, 2008; Clarkson, Overell, & Chapple, 2011; García-Sánchez, 2008; Morhardt, 2010; Vormedal & Ruud, 2009).

Financial performance. Researchers are not unanimous on the relationship between financial performance and CSR disclosure (Jaggi & Freedman, 1992; Spicer, 1978). Some scholars suggest that well-performing firms are more visible to the public than less-performing firms (Watts & Zimmerman, 1978). Fields, Lys, and Vincent (2001) argue that well-performing firms may have higher political exposure than others and, consequently, are more likely to incur political costs. To reduce potential political costs, well-performing firms would disclose more CSR information (Bewley & Li, 2000). Another reason is because well-performing firms are more able to support the costs of CSR disclosure and/or to face the damage raising from revealing potentially damaging information with respect to their CSR performance (Brammer & Pavelin, 2006; Cormier & Magnan, 1999, 2003; Haniffa & Cooke, 2005). In the light of the above, well-performing firms provide more CSR disclosure. However, the opposite may also apply. Less profitable firms may provide more CSR disclosure to take away attention from their poor financial performance (Freedman & Jaggi, 1988; Neu, Warsame, & Pedwell, 1998). Empirical studies examining the relationship between financial performance and CSR disclosure are equivocal even if various proxies of financial performance were used. For instance, Brammer and Pavelin (2006), Kent and Monem (2008), and Stanny and Ely (2008) failed to find a significant relationship between the issuance of CSR reports and financial performance. With regard to the influence of financial performance on CSR disclosure extent, Cormier and Magnan (2003), Haniffa and Cooke (2005), and Sotorrío and Sánchez (2010) find a significant relationship between the extent of CSR disclosure and financial performance. However, Prado-Lorenzo et al. (2009) find that financial performance negatively affects the extent of CSR disclosure. Clarkson et al. (2008),

García-Sánchez (2008), and Clarkson et al. (2011) find no association between financial performance and the extent of CSR disclosure. Likewise, previous empirical studies have failed to find evidence of strong or consistent relationships, either positive or negative between financial performance and CSR disclosure quality (Brammer & Pavelin, 2006; Clarkson et al., 2008; Clarkson et al., 2011; Prado-Lorenzo et al., 2009).

CSR performance. It should be pointed out from the onset that the majority of previous studies investigating the relationship between CSR performance and CSR disclosure focus mainly on the association between environmental performance and environmental disclosure. The failure to take the social performance into account can be explained by the difficulties in measuring the social dimension (Hahn & Kühnen, 2013). For this reason, we next focus on environmental performance instead of CSR performance. In addition to the unresolved issue about the relationship between financial performance and CSR disclosure, the relationship between environmental performance and environmental disclosure is also an unresolved one (Al-Tuwaijri et al., 2004; Clarkson et al., 2008; Hughes, Anderson, & Golden, 2001; Patten, 2002). Patten (2002) puts forward three explanations for the lack of evidence regarding the relationship between environmental performance and environmental disclosure: (1) the failure to control for other factors impacting the extent of disclosure, (2) the inadequate sample selection, and (3) the inadequate measure of environmental performance. In the environmental accounting literature, there are good arguments for both a positive and a negative relationship between environmental performance and environmental disclosure.

In their investigation of the relationship between environmental performance and environmental disclosure, previous studies have often used two competing theoretical concepts, that is, voluntary disclosure theory (Dye, 1985; Verrecchia, 1983) and socio-political theories including political economy, legitimacy theory, and stakeholder theory (Clarkson et al., 2008; Gray et al., 1995; Guthrie & Parker, 1990; Hackston & Milne, 1996; Lindblom, 1994; Patten, 2002). Voluntary disclosure theory predicts a positive relationship between environmental performance and environmental disclosure. The credibility of environmental disclosure is the underlying argument of the existence of such relationship (Al-Tuwaijri et al., 2004). This would mean that firms with superior

environmental performance will provide more extensive environmental disclosure. In the same manner, firms with poor environmental performance will choose to disclose less environmental information or choose to be "silent" (Clarkson et al., 2008). In both cases, environmental disclosure is reflecting firms' environmental performance (Hughes et al., 2001). On the other hand, socio-political theories suggest that the extent of environmental disclosure depends on the level of social and political pressures that firms face (Patten, 2002). These theories predict a negative relationship between environmental performance and environmental disclosure. This happens when managers provide disclosure that portrays firms as they would like to be seen (Hughes et al., 2001), that is, when firms with good environmental performance choose to provide less environmental disclosure and when firms with poor environmental performance provide more extensive environmental disclosure. The latter case is an example of "legitimization" where poor environmental performers tend to disclose more environmental information to face political and social pressures and mitigate legitimacy threats (Clarkson et al., 2008; Gray et al., 1995; Hughes et al., 2001; Hummel & Schlick, 2016; Patten, 2002; Walden & Schwartz, 1997).

At an empirical level, the findings are inconsistent regarding the relationship between CSR performance and the adoption, the extent, and the quality of CSR disclosure. For instance, Belal and Cooper (2011) and Nikolaeva and Bicho (2011) document a positive association between environmental performance and the issuance of environmental information while Brammer and Pavelin (2006) fail to find any significant association. With regard to the extent of environmental disclosure, some studies indicate a positive association between environmental performance and the extent of environmental disclosure (Al-Tuwaijri et al., 2004; Clarkson et al., 2008; Latridis, 2013), while others find no association (Freedman & Jaggi, 1982; Prado-Lorenzo et al., 2009; Rockness, 1985; Wiseman, 1982) or show that poor performers have a higher level of environmental disclosure (Brammer & Pavelin, 2006; Cho & Patten, 2007; Clarkson et al., 2011; Hughes et al., 2001; Ingram & Frazier, 1980; Patten, 2002). Finally, a recent study carried out by Hummel and Schlick (2016) demonstrates a positive association between CSR performance and the quality of CSR disclosure.

Ownership structure. The structure of share ownership is shaped by the customs, social norms, and law and legal systems (Fan & Wong, 2002). In turn, firms' ownership structure is a primary determinant of the extent of agency problems (Fan & Wong, 2002; Lemmon & Lins, 2003) that arise because of conflicts of interest between corporate insiders (controlling shareholders and managers) and outside investors including minority shareholders (Berle & Means, 1932; Jensen & Meckling, 1976b). Prior research has documented that ownership structure influences the level and quality of corporate disclosure (El-Gazzar, 1998; Eng & Mak, 2003; Fan & Wong, 2002; Lev, 1992). There are many forms of ownership such as concentrated or dispersed ownership, government ownership, and foreign ownership.

Fama and Jensen (1983) suggest that in widely held companies, the likelihood of occurrence of conflicts of interest between principal and agent is greater than in more closely held companies. Consequently, voluntary disclosure is likely to be greater in widely held firms because of their higher information asymmetry (Chau & Gray, 2002; Fama & Jensen, 1983). In the context of CSR disclosure, widely held companies are more likely to provide a broader range of CSR information to respond to the demands of their shareholders (Huang & Kung, 2010). That is, shareholders will make more demands for boarder range of information about CSR activities and place negative premium on firms involved in social and environmental activities with potentially harmful consequences (Ullmann, 1985). On the contrary, when the ownership is concentrated, the demands for CSR information will be lesser. The main reason for this is that the decision—usefulness of social information in making value-based investment decisions tend to be of less importance in the context of concentrated ownership (i.e., when an investor owns more than 20% of the outstanding voting shares (Hahn & Kühnen, 2013)) such as family firms because dominant shareholders have prompt access to corporate information (Chen, Chen, & Cheng, 2008). In addition, firms with concentrated ownership tend to disclose less information because they receive less stockholders attention (Huang & Kung, 2010).

Empirically, prior research has shown contradictory results. For instance, in the Spanish context, Prado-Lorenzo, Gallego-Alvarez, and Garcia-Sanchez (2009) find a positive association between concentrated ownership structure and the adoption of the

GRI framework for the preparation of CSR reports. Using an Italian sample, Campopiano and De Massis (2015) find that family firms disseminate a wider variety of CSR information than non-family firms. On the other hand, some studies find a negative association between concentrated ownership structure and the adoption, the quality (Brammer & Pavelin, 2006), and the extent of environmental disclosure (Cormier & Magnan, 2003, 2004; Gamerschlag et al., 2011; Huang & Kung, 2010). Other studies fail to find any association between concentrated ownership structure and the adoption (Stanny & Ely, 2008) and the extent of CSR disclosure (Ertuna & Tukel, 2010; Tagesson, Blank, Broberg, & Collin, 2009). Iyer and Lulseged (2013) find no difference between family firms and non-family firms regarding the adoption, the extent, and the quality of CSR disclosure.

The literature also shows a difference in CSR disclosure practices between publicly listed company and private firms. Unlike private firms, publicly listed firms are more involved in CSR activities and are more likely to provide CSR information because they have to adhere to regulations from several institutional actors such as governments, stock exchanges, banks, and shareholder activist groups (Chen, Hung, & Wang, 2017; Dong & Xu, 2016; Gallo & Christensen, 2011; Gamerschlag et al., 2011; Luo, Wang, & Zhang, 2017). Prior research has provided strong evidence that public firms are more inclined to provide CSR disclosure (Chen et al., 2017; Dong & Xu, 2016; Haddock, 2005), to disclose more CSR information (Da Silva Monteiro & Aibar-Guzmán, 2010; Gamerschlag et al., 2011; Haniffa & Cooke, 2005; Zeng, Xu, Yin, & Tam, 2012), and to provide CSR disclosure of high quality (Dong & Xu, 2016). Finally, research indicates that government ownership is positively associated with the provision (Luo et al., 2017), the extent (Amran & Haniffa, 2011; Gallo & Christensen, 2011; Luo et al., 2017; Tagesson et al., 2009; Zeng et al., 2012), and the quality of CSR disclosure (Luo et al., 2017). This may be explained by the fact that state-owned firms may increase commitment to CSR and may have good CSR disclosure practices to signal exemplary compliance with government policies and legitimize their existence (Luo et al., 2017). Based on the above, it is obvious that CSR disclosure practices vary according to the type of ownership structure.

Industry affiliation. The existing literature provides compelling evidence that firms from the same industry are more likely to adopt the same voluntary disclosure practices. This trend shows the presence of a herding behavior (Dye & Sridhar, 1995). This is especially the case for CSR disclosure as demonstrated by several studies (Aerts, Cormier, & Magnan, 2006; Cowen, Ferreri, & Parker, 1987; Deegan & Gordon, 1996; Patten, 2002; Roberts, 1992b). A number of reasons may be put forward in this respect. For instance, Verrecchia (1983) argues that firms from different industries face different proprietary costs and, consequently, face different degrees of pressure to provide certain types of information. Others suggest that firms carefully follow industrial standards regarding CSR disclosure to sustain their legitimacy (Jenkins, 2006; Weaver, TreviÑo, & Cochran, 1999). However, even in the absence of legitimacy threats or stakeholder pressure, certain firms continue to provide CSR reports. Aerts et al. (2006) and de Villiers and Alexander (2014) explain this behavior by the presence of mimetic tendencies within sectors leading to the institutionalization of CSR disclosure.

Beyond the adoption of CSR disclosure, prior research documents that the extent and focus of CSR disclosure vary significantly between industries. It has been shown that firms operating in high-profile industries[19] disclose more social and environmental information relative to companies operating in low-profile industries (Gamerschlag et al., 2011; Hackston & Milne, 1996; Holder-Webb et al., 2009; Parsa & Kouhy, 2008; Patten, 1991; Sotorrío & Sánchez, 2010; Tagesson et al., 2009). Cowen et al. (1987) cite the example of consumer-oriented industries that are more likely to provide more CSR disclosure to improve their corporate image among market consumers and thereby increase the amount of sales generated. In addition, some industries are more likely to focus on certain types of CSR information to reflect their specific problems. For instance, labor-intensive industries such as manufacturing firms tend to provide more human resources information compared to companies in the extractive and chemical industries that are more likely to provide more environmental information (Cowen et al., 1987).

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[19] According to Roberts (1992), high-profile industries are those characterized by a high level of visibility, high level of regulatory, and legal risk or stiff competition.

Several studies provide empirical evidence on the effect of industry affiliation on CSR disclosure practices. While, the relationship between industry affiliation and the adoption of CSR disclosure delivers contradictory results (Brammer & Pavelin, 2006; Gallo & Christensen, 2011; Haddock, 2005; Nikolaeva & Bicho, 2011; Stanny & Ely, 2008), the relationships between industry affiliation and the extent (Amran & Haniffa, 2011; Clarkson et al., 2008; Clarkson et al., 2011; Cormier & Magnan, 2003, 2004) and the quality of CSR disclosure (Brammer & Pavelin, 2006; Clarkson et al., 2008; Clarkson et al., 2011; García-Sánchez, 2008; Morhardt, 2010; Vormedal & Ruud, 2009) are positive.

Managers' perceptions and characteristics. Earlier research highlights the key role of managers in corporate decisions or outcomes (Adams et al., 2005; Bertrand & Schoar, 2003; Custódio & Metzger, 2013; Quigley & Hambrick, 2015). This is especially the case for corporate disclosure policies and quality. As previously mentioned, several studies provide strong evidence on the association between managers characteristics and corporate financial disclosure (Axelson & Baliga, 2009; Bushman & Smith, 2001; Goldman & Slezak, 2006; Plöckinger et al., 2016; Song & Thakor, 2006) and CSP (Huang, 2013; Jiraporn & Chintrakarn, 2013; Manner, 2010; Yuan, Tian, Lu, & Yu, 2019). However, the influence of managers on CSR disclosure practices has been understudied. More importantly, previous studies have mainly focused on the influence of managers' attitudes or perceptions and decision horizons on CSR disclosure.

The influence of managers on CSR disclosure practices is particularly obvious as suggested by Campbell (2000) who used a case study approach to investigate trends of the CSR disclosure in the British retailer Marks and Spencer Plc during the 1969–1997 period. During the thirty-year period of survey, Campbell (2000) shows that the changes in the extent of CSR disclosure coincide with the points of succession of the four consecutive chairmen. These findings provide evidence that the chairman emerges as the only internal determinant of CSR disclosure of Marks and Spencer Plc. In addition, the author emphasized that his results could be considered as a proof of the managerial influence and not the chairman influence because Marks and Spencer Plc was operating with three-to-four joint managing directors. Several studies use survey data to explain

managers' motivations for disclosing CSR information (O'Dwyer (2002) in Ireland, Teoh and Thong (1984) in Malaysia, Wilmshurst and Frost (2000) and O'Donovan (2002) in Australia, Collison, Lorraine, and Power (2003) in the UK, Belal and Owen (2007) in Bangladesh de Villiers (1999) in South Africa, Gray, Radebaugh, and Roberts (1990) in the UK and the US, Jaggi and Zhao (1996) in Hong Kong, and Cormier et al. (2004) in Canada, Germany, and France) or for not disclosing CSR information (Martin and Hadley (2008) in the UK). Overall, these studies show that managers are aware of stakeholders' need for CSR information and that they provide CSR disclosure as a response to stakeholders' pressure to maintain and enhance firms' legitimacy.

In addition, prior research has evidenced that managers' decision horizon may affect CSR disclosure practices. For instance, in the Australian context, Trotman and Bradley (1981) use a survey analysis to assess the effect of managers' decision horizon on CSR disclosure practices. Their findings show that when managers put greater emphasis on long-term results, they are more likely to provide CSR disclosure. It is also evidenced that the extent of CSR disclosure tends to be higher in the presence of long-term management's decision horizon. Trotman and Bradley (1981) suggest that the decision to make CSR disclosure and the greater extent of CSR disclosure may be guided by firms' determination to improve their public image and increase their chances of long-run survival and growth. On the other hand, few sporadic research endeavors examine the influence of managers' characteristics on CSR disclosure. Lewis et al. (2014) examine the association between managers' characteristics and environmental disclosure. Using a sample of 589 U.S. firms for the 2002–2008 period and two managers' characteristics (i.e., manager educational backgrounds (MBA degree versus legal degree) and manager tenure), they find that when firms are led by newly appointed managers and managers holding an MBA degree, they are more likely to provide environmental disclosure. Conversely, Lewis et al. (2014) find that firms led by lawyers are more likely to resist the pressure of disclosing environmental information. In a recent study, Muttakin et al. (2018) investigate the influence of CEO power on the extent of CSR disclosure. Using a sample of Bangladeshi listed firms from 2005 to 2013 and using a "power index" comprising CEO duality, ownership, tenure, and family status, Muttakin et al. (2018) show that CEO power influence negatively the extent of CSR disclosure. In addition to the internal

determinants of CSR disclosure, existing empirical research documents that it can be influenced by external factors.

External Determinants of CSR Disclosure

Prior literature has identified three external determinants of CSR disclosure: corporate visibility, the legal context, and the country of origin.

Organizational visibility. According to Bowen (2000), "Visibility captures the extent to which phenomena can be seen or noticed" (93). The organizational literature distinguishes between organizational visibility and issue visibility. Visible organizations are those having "publicly recognized name" (Fuller et al., 2006) or public presence in the media (Yang & Kent, 2014) making them very recognizable by relevant stakeholders (Bowen, 2000). Organizational visibility, which is considered by March and Simon (1958) as a symbol of success, could have several consequences such as reducing information asymmetry between managers and stakeholders (Brammer & Millington, 2006) and influencing stakeholders' perceptions in times of crisis, customers' buying preferences, and building stakeholders' trust (Yang & Kent, 2014). Nevertheless, it should be mentioned that not all firms are equally visible. Some firms are more visible than others (Gamerschlag et al., 2011) depending on their size, growth, reputation, distinctiveness, and public relations strategy (Bartley & Child, 2014; King & McDonnell, 2015; March & Simon, 1958).

The institutional literature suggests that visible organizations are likely to receive more attention from stakeholders including pressure groups (Bansal & Roth, 2000; Deegan & Carroll, 1993; den Hond & de Bakker, 2007; King, 2008) and are, consequently, more willing to respond to institutional demands (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) to maintain their social legitimacy (Miles, 1986). It follows that organizational visibility may induce higher political and/or social costs because of organization's public exposure (Gamerschlag et al., 2011). Belkaoui and Karpik (1989) suggest that highly visible firms are more likely to provide CSR disclosure to reduce potential political costs. The supply chain position, brand-related aspects, and media exposure are the most commonly used proxies for corporate visibility (Hahn &

Kühnen, 2013). Corporate visibility varies according to the position of the firm in the supply chain (Groves, Frater, Lee, & Stokes, 2011; Haddock, 2005; Haddock & Fraser, 2008). Close-to-market, that is, consumer focused firms experience higher levels of visibility compared to business-to-business firms (Groves et al., 2011; Haddock, 2005; Haddock & Fraser, 2008) and this, in turn, impacts their CSR disclosure practices. Using a sample of UK food and drink manufacturers and retailers, Haddock (2005) examines the influence of consumers on the provision of environmental disclosure and shows that close-to-market firms are more likely to provide environmental disclosure. In the UK context, Haddock and Fraser (2008) and Groves et al. (2011) document that the level of CSR disclosure is higher for close-to-market firms. Similar to close-to-market firms, those having top brands are highly visible (Nikolaeva & Bicho, 2011). Very little empirical research has investigated the association between band-related aspects and CSR disclosure practices. For instance, Nikolaeva and Bicho (2011) do not show that firms that own a top ranked brand are more likely to adopt the GRI principles. However, Haddock (2005) provides evidence suggesting that firms are more likely to adopt environmental disclosure when their brand name matches their company name. Haddock and Fraser (2008) document that brand-name firms provide higher levels of environmental disclosure.

Finally, media coverage plays a key role in increasing firms' visibility (Bansal & Clelland, 2004; Brammer & Millington, 2006) and is used as a measure of corporate visibility by many scholars (Brammer & Pavelin, 2006; Dawkins & Fraas, 2011). It has been documented that companies enhance their CSR practices and increase their CSR disclosure in the aftermath of media pressure (Deegan, Rankin, & Voght, 2000; Patten, 1991). Deephouse (2000) highlights that firms' media reputation, that is, the overall assessment of a firm in the media, affects the perceptions of its stakeholders. Bansal (2005) argues that media may incite environmental interest groups and other stakeholders' groups to lobby companies. In addition, customers and suppliers consider the image and the reputation of companies before making a purchase or selling goods (Huang & Kung, 2010). Unlike supply chain position and brand-related aspects, the influence of media coverage on CSR disclosure practices has been extensively studied. For instance, several empirical studies show that media attention motivates the disclosure of CSR information

(Garcia-Sanchez, Cuadrado-Ballesteros, & Sepulveda, 2014; Haddock & Fraser, 2008; Kent & Monem, 2008; Nikolaeva & Bicho, 2011). The same pattern is observed for the influence of media attention on the extent of CSR disclosure (Brown & Deegan, 1998; Cormier et al., 2004; Cormier & Magnan, 2003, 2004; Gamerschlag et al., 2011; Neu et al., 1998; Patten, 2002; Sotorrío & Sánchez, 2010). However, Brammer and Pavelin (2006), Clarkson et al. (2008), and Clarkson et al. (2011) do not find any association between media attention and CSR disclosure quality.

Country of origin. The institutional theory (DiMaggio & Powell, 1991) suggests that organizations are embedded in "something outside" (Ingram & Clay, 2000: 528), that is, the institutional environment. Indeed, organizations are not free in what they do as they are governed by social control mechanisms such as laws, government regulation, economic sanctions, organizational incentives, moral suasion, interpersonal behaviors, and the norms of social groups (Agle et al., 2008). Scott (2008) identifies three pillars of institutions: regulative systems, normative systems and cultural-cognitive systems. The regulative systems "involve the capacity to establish rules, inspect others' conformity to them, and, as necessary, manipulate sanctions—rewards or punishments—in an attempt to influence future behavior" (Scott, 2008: 52). The normative systems refer to social life's values and norms that confer to actors "rights as well as responsibilities, privileges as well as duties, licenses as well as mandates" (Scott, 2008: 55). Lastly, the cultural-cognitive dimension refers to "the shared conceptions that constitute the nature of social reality and the frames through which meaning is made" (Scott, 2008: 57).

In this sense, corporate managers, as any actors, "pursue their interests by making choices within constraints" (Ingram & Clay, 2000: 526) imposed by institutions. Indeed, the institutional context, although too complex to explore, is too important to ignore because "the way corporations treat their stakeholders depends on the institutions within which they operate" (Campbell, 2006: 926). It follows that firms' CSR practices (Brammer, Jackson, & Matten, 2012; Campbell, 2006, 2007; Matten & Moon, 2008) including CSR disclosure are determined by institutional factors. These institutional factors may create incentives and obligations to adopt certain CSR disclosure practices (Baldini et al., 2018; Frías-Aceituno, Rodríguez-Ariza, & García-Sánchez, 2013; Prado-

Lorenzo & Garcia-Sanchez, 2010; Sotorrío & Sánchez, 2010). Aguilera, Rupp, Williams, and Ganapathi (2007) suggest that firms will engage in CSR practices in varying degrees because they are facing different internal and external pressures from the national system in which they are embedded. In the same vein, Using a sample of 42 countries, Ioannou and Serafeim (2012) report that CSR heterogeneity among countries is the consequence of the variation of nation-level institutions, that is, the political system, the education and labor system, the financial system, and the cultural system.

The influence of the institutional environment on CSR disclosure practices has been empirically established. Several studies document significant differences between countries regarding the adoption, the extent, and the quality of CSR disclosure (Adams, Coutts, & Harte, 1995; Adams & Kuasirikun, 2000; Andrew, Gul, Guthrie, & Teoh, 1989; Chen & Bouvain, 2009; Prado-Lorenzo et al., 2009; Vormedal & Ruud, 2009). For instance, Buhr and Freedman (2001) compare the environmental disclosure practices Canadian and American companies and show that Canadian companies are more likely to provide environmental disclosure than American companies. They explain these results by the difference in the culture and institutional factors between the two countries. García-Sánchez, Rodríguez-Ariza, and Frías-Aceituno (2013) investigate the influence of the cultural system on the adoption of integrated disclosure. Using the Hofstede's cultural dimensions (i.e., collectivism, feminism, tolerance of uncertainty, and power distance), García-Sánchez et al. (2013) find that integrated reports are mainly published by companies located in countries characterized by stronger collectivist and feminist values. Using a sample of 750 international companies for the 2008–2010 period, Frías-Aceituno et al. (2013) show that companies located in civil law countries are more likely to provide integrated disclosure. They explain these results by the greater attention toward stakeholders characterizing civil law countries.

On the other hand, several studies have examined the association between the country of origin and the extent of CSR disclosure. Buhr and Freedman (2001) provide evidence that Canadian firms tend to communicate more environmental information relative to American firms. During the 1985–1995 period, Adams and Kuasirikun (2000) compare the ethical disclosure of British and German companies operating in the chemical

and pharmaceutical industries. They find that, with the exception of "ethical business practices," German companies disclose more CSR information relative to British companies. Chen and Bouvain (2009) compare CSR disclosure in four countries: the U.S., the UK, Australia, and Germany. They provide evidence of differences in the extent and content of the CSR disclosure between firms in the four countries. Comyns (2016) examines the extent of Greenhouse Gases (GHG) disclosure of 45 oil and gas companies and finds that companies having installations regulated under the European Union Emissions Trading scheme (EU ETS) and adopting the GRI guidelines tend to disclose more GHG information. In a recent study, Baldini et al. (2018) examine the influence of country-level characteristics on the level of environmental, social, and governance (ESG) disclosure. Specifically, Baldini et al. (2018) distinguish between three groups of country-level determinants: political (legal framework and corruption), labor (labor protection and unemployment rates), and cultural systems (social cohesion and equal opportunities). Using an international sample covering 26 countries, Baldini et al. (2018) show that country-level determinants have a heterogeneous effect on the level of ESG disclosure. For instance, the findings show that firms operating in countries characterized by formal rules tend to disclose less ESG information while those operating in countries characterized by high degree of labor protection tend to provide more ESG information. Finally, there has been little research on the influence of the institutional context on the quality of CSR disclosure quality. Using a sample of 32 Norwegian and Danish companies and 26 U.S. companies in the electric power generation industry for the 1998 and 1999 years, Smith et al. (2005) provide evidence that large companies from countries with a stakeholder orientation (Norway and Denmark) have a higher quality of CSR disclosure than do those from countries with a shareholder orientation (U.S.). Finally, Comyns (2016) show that companies having installations regulated under the European Union Emissions Trading scheme (EU ETS) and adopting the GRI guidelines are more likely to provide GHG disclosure of high quality.

Legal requirements. The impact of laws and regulations on CSR disclosure practices is of significant importance (Lee & Hutchison, 2005). Regulators may exert power over companies by reacting through social and environmental laws and rules to enhance firms' CSR performance (Delmas & Toffel, 2004) and disclosure (Hess & Dunfee, 2007).

Government bodies may also impose fines to companies or even make them stop their activities when they violate environmental and social regulations (Huang & Kung, 2010). Under such constraints, firms should submit themselves to social and environmental regulations and tend to broaden their CSR disclosure to enhance their legitimacy.

It should be noted, however, that regulations vary greatly across regions, countries, industries, and firms. As suggested above, in some countries, CSR disclosure is voluntary while in others it is mandatory. In the absence of laws and regulations, CSR disclosure is voluntary, and managers may use their discretion when deciding which CSR information will be disclosed. It follows that CSR disclosure might not be completely uniform and, therefore, not directly comparable across firms (Lee & Hutchison, 2005). Conversely, in the presence of laws and regulations, CSR disclosure is required, but managers may also use their discretion when determining which CSR information may be considered as a mandatory disclosure. In addition, as previously noted, the "comply or explain" principle forms the basis of the existing laws and regulations governing CSR disclosure. Consequently, the wording and interpretations of the existing laws and regulations may affect the relevance of CSR disclosure (Lee & Hutchison, 2005). As a matter of fact, the Scandinavian countries enjoy a solid reputation for being at the forefront of the CSR movement (Vormedal & Ruud, 2009) and CSR disclosure is mandatory for all the companies in some countries such as Denmark, Norway, and Sweden (Hess & Dunfee, 2007). However, in other countries such as France, the UK, and Spain, only certain types of companies are required to provide CSR information (Acerete, Llena, & Moneva, 2011; Brown, de Jong, & Levy, 2009).

Prior archival literature is limited with respect to the influence of the legal requirements on CSR disclosure practices. There has been little empirical research on the likelihood of providing CSR information following the enactment of CSR disclosure laws. For instance, Cormier et al. (2004) document that environmental managers take into consideration the legal context when they disclose environmental information. In the U.S. context, Alciatore, Dee, and Easton (2004) examine the influence of the environmental disclosure regulation on the issuance of environmental disclosure. Using a sample of 34 petroleum firms from 1989 to 1998, they document an increase in the number of firms

disclosing environmental information. Frost (2007) investigates management behavior surrounding the introduction of mandatory environmental disclosure regulations in the Australian context and documents an increase in the number of companies disclosing on their CSR practices. Using a sample of the top 100 Australian companies, Bubna-Litic (2008) examines the effect of mandatory environmental disclosure on companies' willingness to report on their environmental performance and finds that following the adoption of the new law on environmental disclosure, the percentage of companies providing environmental disclosure had increased from 71% of the top Australian companies in 1999 to 95% in 2004. Using a sample of 21 Spanish toll concessionaires, Acerete et al. (2011) show an increase in the number of toll motorway companies that disclose environmental information following the enactment of a series of environmental disclosure requirements.

However, research on the influence of the legal requirements on the extent and quality of CSR disclosure is scarce. In the Taiwanese context, Huang and Kung (2010) find that the level of CSR disclosure, whether it is voluntary or non-voluntary, is positively related to the level of government pressure (i.e., environmental fines and penalties). These results suggest that firms subject to penalties and fees tend to disclose more CSR information. In the Spanish context, Criado-Jiménez, Fernández-Chulián, Larrinaga-González, and Husillos-Carqués (2008) show that CSR disclosure requirements impact positively the level and the quality of the social, ethical and environmental disclosure. However, unlike Criado-Jiménez et al. (2008), Acerete et al. (2011) find that the introduction of environmental disclosure laws is associated with low levels of environmental disclosure of Spanish toll motorway companies. In the Australian context, Frost (2007) shows an increase in the extent of environmental disclosure following the introduction of mandatory environmental disclosure regulations. However, Bubna-Litic (2008) finds that the enactment of environmental disclosure law did not enhance environmental disclosure quality.

From the foregoing, it emerges that research agrees that firm size and industry affiliation affect positively CSR disclosure practices. However, prior research examining the influence of other determinants is characterized by inconsistent results. The equivocal

empirical results in the literature could be, in part, attributed to the lack of consensus over a measurement methodology concerning CSR disclosure (Li, Gong, Zhang, & Koh, 2018) and its determinants. It is also noteworthy that in addition to the lack of research on the determinants of CSR disclosure quality (Hahn & Kühnen, 2013), the investigation of the influence of CEOs' characteristics on CSR disclosure practices has received remarkably little attention. All this is surprising, considering the well-known influence of CEOs on corporate outcomes (Bertrand & Schoar, 2003; Quigley & Hambrick, 2015) in general and CSR practices (Sharma, 2000) and corporate disclosure practices (Bamber et al., 2010; Berthelot et al., 2003; Dejong & Ling, 2013), in particular.

2.1.3 CEO Narcissism and Corporate Outcomes

In this subsection, we draw on the literature in psychology on the personality trait of narcissism to predict the influence of CEO narcissism on environmental and social disclosures. First, we review the manager effects research. Second, we discuss the importance of managers' characteristics. Third, we define the construct of narcissism. Finally, we aggregate empirical findings of the effects of CEO narcissism on corporate outcomes including corporate accounting practices.

2.1.3.1 Individual Managers: Their Effects on Corporate Outcomes

Neoclassical economics considers agents as rational actors and models them agents as profit optimizers who seek to achieve the best outcomes (Weintraub, 2002). Under this narrow view, corporate managers are regarded as "homogeneous and selfless inputs into the production process" (Bertrand & Schoar, 2003: 1173), and individual managers are considered as interchangeable because their core mission is maximizing the profits of firms (Bertrand & Schoar, 2003). It follows that managers do not exert any idiosyncratic effect on corporate decisions. Conversely, agency theory is less extreme since it recognizes the latitude of the actions available to managers, which is usually referred to as managerial discretion. Contrary to the tenets of neoclassical economics, managers may maximize their utility function inside the firm to alter organizational decisions (Bertrand & Schoar, 2003). Nonetheless, it should be noted that standard agency models do not ascribe the heterogeneity in corporate practices to idiosyncratic differences between

individual managers. Instead, these models emphasize that variations in corporate behavior are due to heterogeneity in the effectiveness of governance mechanisms at different firms. Because managers are facing different monitoring mechanisms, there is heterogeneity in their ability to exert an influence on firm practices (Bertrand & Schoar, 2003). It follows that in both neoclassical economics and in agency theories, managers' individual preferences should not influence corporate behavior.

In recent decades, the ability of managers to influence corporate practices and outcomes has become a matter of utmost importance that has attracted much attention from both researchers and practitioners. In their pioneering work in economics, Bertrand and Schoar (2003) explain why there are individual manager styles by referring to the "manager effect" (i.e., manager-fixed effect). This involves relaxing the manager homogeneity assumption by documenting that individual managers have idiosyncratic influence on firm behavior. To disentangle manager effects from firm effects and year effects, Bertrand and Schoar (2003) develop an innovative design that allows them to track top managers across firms over time. Using a sample of 500 managers including CEOs, CFOs, and other top managers, over the period from 1992 to 1999, Bertrand and Schoar (2003) provide empirical evidence that manager fixed effects are significant determinants of acquisition and diversification decisions, cost-cutting policies, dividend policies, research and development expenditures, interest coverage, and firm performance. Specifically, they find that the R^2s of their models are improved by more than 4% after adding manager-fixed effects to the models that already include firm- and year-fixed effects, and other time-varying characteristics of firms.

The work of Bertrand and Schoar (2003) has paved the way for several studies in economics, management, finance, and accounting literatures by providing greater support for the notion that managers matter (for a recent review, see Abernethy & Wallis, 2019). For instance, Quigley and Hambrick (2015) investigate the influence of the CEO on three financial performance measures: return on sales (RoS), return on assets (RoA), and market-to-book ratio (MTB). Using a sample of more than 18,000 firm-year observations over the period 1950-2009, Quigley and Hambrick (2015) document an increase in the influence of CEOs over the last six decades, one that has occurred at the same as the

influence of contextual factors such as industry and firm characteristics have shown a sharp decline. Specifically, they show that the CEO effect increased from 12% in periods ending before the mid-1980s to 17% for periods ending in the 1990s and it increased to around 20% during the first decade of the 21st century.

In the accounting literature, a number of studies have used the design developed by Bertrand and Schoar (2003) to demonstrate that top managers' individual preferences have an impact on corporate financial reporting outcomes and voluntary disclosure. By using a panel dataset over the period 1995-2005, Bamber et al. (2010) examine the incremental effects that individual managers can exert on one of the key voluntary corporate financial disclosures: management earnings forecasts. After controlling for firm-fixed effects, year-fixed effects, and economic determinants of voluntary disclosure, these authors document that managers develop unique and economically significant individual-specific styles of forecasting behavior. Specifically, Bamber et al. (2010) provide evidence that individual managers display idiosyncratic disclosure styles with regard to five aspects of management earnings forecasts: forecast accuracy, forecast precision, news conveyed by the forecast, and the bias and accuracy of the forecast. They also show that CEOs often matter more than CFOs. To provide evidence for the influence of top managers on firms' tax avoidance, that is, evidence for the practices that reduce firms' taxes compared to their pretax accounting income, Dyreng et al. (2010) track the movement of 908 top managers including CEOs and CFOs during the period from 1992 to 2006. They show that individual managers significantly affect the level of two effective tax rates: the one defined under the GAAP and the one for firms. Ge et al. (2011) examine the effect of CFOs on accounting choices including earnings tools (i.e., discretionary accruals, the use of operating leases versus on-balance sheet debt, and pension rate assumptions) and outcomes of the financial reporting system (i.e., earnings smoothing, meeting/beating analysts' earnings forecasts, and the likelihood of misstatements). By using a CFO-firm matched panel dataset of 359 CFOs over the period 1994-2006, Ge et al. (2011) show that CFOs influence strongly firms' accounting choices. They document an increase in the adjusted R^2s when the CFO indicator variables are added into the regressions. They also show that CFOs have significantly more powerful effects on accounting choices when they enjoy broad discretion.

Finally, Dejong and Ling (2013) examine the effects of top managers on firms' accounting accruals. Tracking 811 managers over a period of 37 years, Dejong and Ling (2013) show that individual managers exert idiosyncratic influence on firms' accounting accruals. After controlling for firms' characteristics, adding the manager-fixed effects to the regressions, they document that the adjusted R^2 increased from 10.5% to 13.8% for total accruals models and from 4.9% to 6.4% for abnormal accruals models. Moreover, Dejong and Ling (2013) provide evidence that managers affect accounting accruals through operating decisions, that is, discretionary spending on research and development, advertising, and selling, general and administrative expenses. When comparing the effects of CEOs and CFOs on accounting accruals, they find that CEOs and CFOs have the same level of influence on accounting accruals. They also document that CEOs are more likely to influence firms' policy decisions while CFOs are more likely to use accounting choices to affect accounting accruals. Overall, by disentangling manager effects from firm effects, these studies provide robust evidence on the existence of individual managers incremental effect, or managers style, on firms' voluntary disclosure and financial reporting outcomes. However, as is pointed out by Bertrand and Schoar (2003), the existence of manager-fixed effects contains no guidelines as to which CEO characteristics or traits may affect corporate practices and outcomes.

2.1.3.2 Managers Characteristics

Wright and Goodstein (2007) define characters as "those interpenetrable habitual qualities within individuals, and applicable to organizations that both constrain and lead them to desire and pursue personal and societal good" (932). In this regard, a large number of empirical studies demonstrate that managers characteristics, both demographic and psychological, are associated with corporate practices and outcomes (Abernethy & Wallis, 2019; Bamber et al., 2010; Bennedsen, Nielsen, Perez-Gonzalez, & Wolfenzon, 2007; Bertrand & Schoar, 2003; Dyreng et al., 2010; Faccio, Marchica, & Mura, 2016; Kaplan, Klebanov, & Sorensen, 2012; Malmendier & Tate, 2005a).

In the U.S. and around the world, the twenty-first century has seen its share of ethical failures and financial collapse of well-known firms such as Arthur Anderson, Enron, Tyco, WorldCom, Parmalat, Vivendi, Samsung, Lehman Brothers, Healthsouth, and

Volkswagen to cite a few. The financial repercussions of these scandals amounted to several millions of dollars. More importantly, these corporate scandals highlight the involvement of managers in several cases suggesting that managers' character matter. In 2006, following the stock options backdating scandal in the U.S., Linda Thomson made a landmark speech where she underscores the importance of manager character. She said the following:

> Finally, what we have learned from stock options backdating—and from every other scandal in the financial markets in recent years—is that character matters. Corporate character matters—and employees take their cues from the top. In our experience, the character of the CEO and other top officers is generally reflected in the character of the entire company. If a CEO is known for his integrity, integrity becomes the corporate norm. If, on the other hand, a company's top managers are more interested in personal enrichment at the expense of the shareholders, our backdating investigations demonstrate yet again that other employees will follow suit. 20

In recent years, a growing body of research in strategic management, finance, and accounting have examined the influence of managers' characteristics on corporate decisions and outcomes (Abernethy & Wallis, 2019; Chatterjee & Hambrick, 2007, 2011; Christensen, Mackey, & Whetten, 2014; Malmendier & Tate, 2005b, 2008, 2015; Resick, Whitman, Weingarden, & Hiller, 2009; Smith, Hill, Wallace, Recendes, & Judge, 2018). In their review of 60 accounting studies, Plöckinger et al. (2016) provide strong evidence that financial reporting decisions are shaped by managers' demographic, psychological, and behavioral characteristics such as age (Ge et al., 2011; Ran et al., 2015), gender (Barua

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[20] Speech by SEC Staff: *"Options Backdating: The Enforcement Perspective"* by Linda Chatman Thomsen Director, Division of Enforcement, U.S. Securities and Exchange Commission. Washington, D.C. October 30, 2006. Retrieved from: https://www.sec.gov/news/speech/2006/spch103006lct.htm

et al., 2010; Francis et al., 2015; Ge et al., 2011; Lin et al., 2014), tenure (Baatwah et al., 2015; Dyreng et al., 2010; Lewis et al., 2014), power (Bugeja et al., 2016; Kalyta & Magnan, 2008), turnover (Bernard et al., 2016), education and prior experience (Dyreng et al., 2010; Ge et al., 2011; Lewis et al., 2014), overconfidence (Ahmed & Duellman, 2013; Bouwman, 2014; Chen et al., 2015; Hilary & Hsu, 2011; Hribar & Yang, 2016; Hsieh et al., 2014; Libby & Rennekamp, 2012; Presley & Abbott, 2013; Schrand & Zechman, 2012), and Machiavellianism and narcissism (Ham et al., 2017; Jia et al., 2014; Olsen et al., 2014; Olsen & Stekelberg, 2016; Rijsenbilt & Commandeur, 2013).

2.1.3.3 The Construct of Narcissism

The evolutionary theory predicts the existence of certain human traits (Buss, 1991). These traits explain personality differences (Angleitner, 1991; Deary, 2009; Epstein, 1994). Traits are defined as "patterns of thought, feelings, and behavior" (Borghans, Duckworth, Heckman, & Ter Weel, 2008: 3). They present stable characteristics that causes a person to display behavioral consistency across different situations (Angleitner, 1991). Judge and LePine (2007) propose a typology of traits: bright personality traits and dark personality traits. Bright personality traits are socially desirable traits that relate to positive outcomes (Barrick & Mount, 1991; Judge, Heller, & Mount, 2002b; Judge, Piccolo, & Kosalka, 2009; Smith et al., 2018). The bright traits include the five-factor model[21] (FFM; often referred to as the "Big Five" traits) and the six-factor HEXACO model: conscientiousness, extraversion, agreeableness, emotional stability, openness to experience, core-self-evaluations, intelligence, and charisma (Judge et al., 2009; Smith et al., 2018). On the other hand, dark personality traits are socially undesirable traits that have negative implications for organizations and/or individuals. The Dark Triad (i.e., narcissism,

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[21]The five-factor model is an approach for describing personality (Digman, 1990; John, 1990; McCrae, 1992; McCrae & Costa, 1984). The model asserts that five basic factors describe most personality traits: Neuroticism, Openness to Experience, Extraversion, Agreeableness, and Conscientiousness. The behavioral and cognitive traits such as fearfulness, irritability, low self-esteem, social anxiety, poor inhibition of impulses, and helplessness characterize Neuroticism. Intelligence and curiosity are associated with Openness to Experience. Extraversion is characterized by a tendency to be self-confident, dominant, active, and excitement seeking. Altruism, nurturance, and caring characterize Agreeableness. Finally, Conscientiousness is associated with problem-solving, coping, self-discipline, achievement striving, dutifulness, and competence.

Machiavellianism, and psychopathy) (Paulhus & Williams, 2002), hubris, overconfidence, and social dominance are considered as dark personality traits (Judge et al., 2002b; Judge et al., 2009; Smith et al., 2018).

Over the last 30 years, the theme of managers' personality traits has been extensively studied in social sciences. Upper echelons scholars have provided evidence that managers' personality traits influence corporate outcomes (Ahmed & Duellman, 2013; Boyle, Carpenter, & Hermanson, 2012; Chatterjee & Hambrick, 2007, 2011; Hribar & Yang, 2016; Majors, 2016; Malmendier & Tate, 2005a, b, 2008; Marquez-Illescas et al., 2019; Park, Kim, Chang, Lee, & Sung, 2015; Plöckinger et al., 2016; Sadler-Smith, 2016). Hambrick and Mason (1984) have early argued that the relevance of managers' personality traits substantially surpasses demographics in shaping managers' behavior and decision-making. Given that our focus is on the trait of narcissism, we begin by defining the construct of narcissism. We then present its conceptualizations, its dimensions and types, its relation to other psychological constructs. Finally, we discuss the emergence of narcissistic leaders.

Definition of Narcissism

Narcissism has its roots in the Greek myth of Narcissus, a beautiful youth who perished due to falling in love with his own reflection in a fountain. Narcissism has a relatively long history as a psychological construct. Ellis (1898) was the first to introduce the term "narcissism" in the psychology literature to depict a condition of individuals excessive self-love (i.e., autoeroticism). The construct was later elaborated by Freud (1914/1957) in his seminal article "On narcissism: An introduction" to refer to a specific narcissistic personality type. Freud suggests that narcissistic people exhibit high levels of self-love, self-admiration, self-confidence, and sometimes arrogance. Subsequently, Otto Kernberg and Heinz Kohut, expanding on the work of Freud, introduced the clinical perspective on narcissism (for review, see Akhtar & Thompson, 1982; Greenberg & Mitchell, 1983). Their works advanced the theory that narcissism constitutes a personality disorder (Rosenthal & Pittinsky, 2006). Kernberg (1975) describes narcissism as a defense against a vulnerable self that results from vengeful feelings toward either indifferent or rejecting parents. Kernberg considers that narcissism is always pathological. He distinguishes

between two types of narcissists: well-functioning narcissists and malignant narcissists. The well-functioning narcissists are those who successfully exhibit their virtues and obtain confirmation of their grandiosity. However, malignant narcissists are individuals who display: (1) an extreme grandiosity, (2) a defective superego or conscience, (3) an ego syntonic aggression (i.e., they use aggression to fulfill their needs with no constraints), and (4) a paranoid outlook (Post, 1993).

On the other hand, Kohut (1977) describes narcissism as a defense against a lack of childhood mirroring (i.e., a process by which the child's positive self-image is reflected back to him or her by his or her parents) (Campbell & Foster, 2007; Russell, 1985). Unlike Kernberg, Kohut suggests that narcissism is not necessarily pathological. He considers narcissism as an independent and potentially healthy process in normal development. Kohut distinguishes between two types of narcissists: healthy narcissists and pathological narcissists. Healthy narcissists exhibit some positive behaviors including creativity, ability to empathize and to contemplate their impermanence, and a sense of humor and wisdom (Campbell & Foster, 2007; Russell, 1985). Pathological narcissists display traits of grandiosity, exhibitionism, assertiveness, and self-assurance as a direct consequence of early parental failures in empathy and idealization (Glassman, 1988). Following Kernberg's and Kohut's comprehensive descriptions of narcissism, the American Psychiatric Association (APA) had defined the Narcissistic Personality Disorder (NPD) and included it in the Diagnostic and Statistical Manual (DSM-III; APA, 1980).

Despite this long history, at the present time, there is no commonly accepted definition of narcissism (Morf & Rhodewalt, 2001; Pincus & Lukowitsky, 2010; Rosenthal & Pittinsky, 2006), and the situation does not seem close to a change. As is the case for other personality traits, there is no "gold standard" as to the meaning of narcissism (Funder, 2001; Pincus & Lukowitsky, 2010; Rosenthal & Pittinsky, 2006). We follow the lead of previous researchers and describe narcissism as having three basic components: the self-concept, self-regulatory strategies and interpersonal relationships (Campbell & Foster, 2007; Campbell et al., 2011; Morf & Rhodewalt, 2001). In what follows, we briefly review each of these.

The self-concept. The concept of self has been defined in several ways (Epstein, 1973). According to Rogers (1951), the self includes various elements such as "the perceptions

of one's characteristics and abilities; the percepts and concepts of the self in relation to others and to the environment; the value qualities which are perceived as associated with experiences and objects; and goals and ideals which are perceived as having positive or negative valence" (501).

The concept of self is a key component of the construct of narcissism (Campbell, Hoffman, Campbell, & Marchisio, 2011b; Campbell et al., 2002b; Morf & Rhodewalt, 2001), in the sense that narcissists tend to have a positive, inflated, agentic, special, selfish, and oriented to success self (Campbell & Foster, 2007). (1) Positive: empirical evidence suggests that narcissists think about themselves in a highly positive way than others (Campbell et al., 2002b; Emmons, 1984, 1987; Raskin & Terry, 1988; Rhodewalt & Morf, 1995). (2) Inflated: narcissists belief that they are better than they are. There is evidence that narcissists display positive illusions in self-evaluations of intelligence and physical attractiveness (Gabriel, Critelli, & Ee, 1994). In particular, narcissistic men overestimate their ability in attracting women (Rhodewalt & Eddings, 2002). (3) Agentic: prior research has evidenced that the exaggerated positive self-views of narcissists are most evident in agentic domains such as status, success, creativity (Raskin & Shaw, 1988), power (Carroll, 1987), dominance (Campbell et al., 2002b), intelligence and extraversion (Campbell et al., 2002b), and appearance (Gabriel et al., 1994). However, it has been demonstrated that narcissists are less focused than others on communal domains such as caring, morality, agreeableness, conscientiousness (Campbell et al., 2002b; Paulhus & John, 1998), empathy, and concern (Campbell, Bosson, Goheen, Lakey, & Kernis, 2007; Campbell et al., 2002b). (4) Special: narcissists display a need for uniqueness or "specialness" (Emmons, 1984). (5) Selfishness: there is evidence that narcissists display an egoistic bias (Campbell, Reeder, Sedikides, & Elliot, 2000). For instance, Campbell, Bonacci, Shelton, Exline, and Bushman (2004a) find that narcissists manifest higher levels of entitlement to more positive outcomes in life than others. (6) Orientation toward success: narcissists are more success-oriented than others (Campbell & Foster, 2007; Campbell et al., 2011b). Rose and Campbell (2004) show that narcissists strive to fulfill their goals and think that they are successful in progressing toward their goals. Foster and Trimm (2008) demonstrate that narcissists are more sensitive to and strongly motivated by reward (i.e., approach oriented), but they are relatively insensitive and weakly

motivated by punishment. In sum, narcissists are individuals for whom the positivity of self is overwhelmingly important (Campbell et al., 2004b). To construct, maintain, and enhance their positive self-views, narcissists use a range of self-regulatory strategies.

Self-regulatory strategies. Prior research has evidenced that narcissists employ a vast array of both intrapsychic and interpersonal self-regulatory strategies to maintain and enhance the positivity of their self-views (Campbell & Foster, 2007; Campbell et al., 2004b; Morf, 2006; Morf & Rhodewalt, 2001).

Interpersonal self-regulatory strategies. Interpersonal strategies refer to the behaviors through which individuals actively operate on their social worlds to construct, protect, and maintain their desired self-conceptions (Morf, 2006; Morf & Rhodewalt, 2001). These interpersonal processes cover a wide range of social manipulations and self-presentational behaviors aiming at engineering positive feedback or deflecting negative feedback about the self (Morf, 2006; Morf & Rhodewalt, 2001). Prior research has proven that narcissists have the social skills and abilities to interact with their social environments to create and maintain their desired selves (Campbell & Foster, 2007).

For instance, studies that have examined the associations between narcissism and interpersonal strategies suggest that narcissists constantly look for opportunities to garner attention and admiration, brag and dominate conversations (Buss & Chiodo, 1991; Vangelisti, Knapp, & Daly, 1990), over-utilise self-presentation tactics (such as showing of material goods, offering excuses, intimidation, ingratiation) (Campbell & Foster, 2007; Hart, Adams, Burton, & Tortoriello, 2017; Rhodewalt & Peterson, 2010), with a tendency to promote themselves (Collins & Stukas, 2008; Grijalva & Zhang, 2016) both in high stakes (Maaß & Ziegler, 2017; Paulhus, Westlake, Calvez, & Harms, 2013) and in modest situations (Maaß & Ziegler, 2017; Morf, Davidov, & Ansara, 2006), affiliate only with admiring and high-status other while, at the same time, they are likely to exploit them and to show indifference toward their needs (Campbell, 1999), seek situations in which they may compete intellectually with, dominate, have an impact on and exploit others (Carroll, 1987; Emmons, 1989). Narcissists are also energetic and socially extraverted, which in turn facilitates new relationships with others and feeling comfortable in new social environments (Bradlee & Emmons, 1992; Paulhus, 1998) and aspire to assume leadership

positions (Brunell et al., 2008; Horton & Sedikides, 2009; Wallace & Baumeister, 2002). Furthermore, prior research has shown that to cope with threats to self-esteem[22], narcissists would engage in self-protective behaviors (Bushman & Baumeister, 1998; Morf & Rhodewalt, 1993; Smalley & Stake, 1996; Stucke, 2003; Twenge & Campbell, 2003). For instance, Morf and Rhodewalt (1993) show that when narcissists perceive a threat to their selves from being compared to better performing others, they are inclined to react adversely by derogating the others who outperform them without concern for their feelings and may possibly create interpersonal conflict by proving negative evaluations in a face-to-face interaction. In aggregate terms, what emerges from these studies is that narcissists are more zealous about constructing and conveying a grandiose self by using their social interactions. However, they are less interested in obtaining social approval or maintaining sustained and warm interpersonal relations (Morf, 2006; Morf & Rhodewalt, 2001), which in the long-term would induce interpersonal rejection and hostility (Paulhus, 1998).

Intrapersonal self-regulatory strategies. The intrapersonal–or intrapsychic–processes "are all cognitive, affective, and self-regulatory activities that take place primarily inside the mind of the narcissists" (Morf & Rhodewalt, 2001: 183) to impact the meaning and favourability of information relevant to the self (Morf, 2006). Prior research has evidenced that narcissists employ various intrapersonal strategies to enhance their grandiose selves. For example, there is evidence that narcissists fantasize about fame and power (Raskin & Novacek, 1991; Southard & Zeigler-Hill, 2016; Young & Pinsky, 2006), make self-serving attributions for positive outcomes, but attribute negative outcomes to external factors (Campbell et al., 2000; Farwell & Wohlwend-Lloyd, 1998; Rhodewalt & Morf, 1995), overestimate their intelligence and physical attractiveness (Gabriel et al., 1994), show high confidence in their responses to general knowledge questions (Campbell et al., 2004b). In addition, in the context of group performance, previous studies have shown that narcissists enjoy tasks involving interpersonal competition and are more likely to overestimate their competence relative to others (John & Robins, 1994; Morf, Weir, & Davidov, 2000). Thus, it emerges that narcissists rely tremendously on social feedback

[22] Self-esteem refers to an individual's belief about one's overall self-worth, that is, an individual's overall self-acceptance, self-liking, and self-respect (Harter, 1990).

and information when employing the different intrapsychic processes (Morf & Rhodewalt, 2001).

The foregoing demonstrate that narcissists personality reflects the cognitive, affective and self-evaluatory activities (intrapersonal processes) that are contextualized and manifested in interaction with the social environment (interpersonal processes) (Morf, 2006; Morf & Rhodewalt, 2001). In this sense, Morf and Rhodewalt (2001) emphasize that intra- and interpersonal strategies are continuously interconnected and reciprocally related, rendering the boundary between the two fuzzy and fluid.

Interpersonal relationships. The gist of the preceding discussion of narcissists' self-regulatory strategies is that the social environment occupies a significant place in the process of constructing and maintaining narcissists' grandiose selves. In this sense, narcissists are constantly seeking and interpreting interpersonal feedback (Morf, 2006) to regulate their self-conceptions. However, underlying this quest is a lack of interest in warm and caring interpersonal relationships (Campbell & Foster, 2007; Campbell et al., 2002b; Morf & Rhodewalt, 2001; Post, 1993). Indeed, narcissists are particularly interested in having an impact on and influence over others to garner recognition and adulation. There is compelling empirical evidence suggesting that narcissists' relationships are often disturbed. For instance, it has been demonstrated that narcissism is inversely related to empathy (Watson, Grisham, Trotter, & Biderman, 1984; Watson & Morris, 1991), need for succorance (Raskin & Terry, 1988), need for emotional intimacy (Carroll, 1987; Sedikides, Campbell, Reeder, Elliot, & Gregg, 2002), agreeableness, conscientiousness, and morality (Holtzman, Vazire, & Mehl, 2010; Paulhus & John, 1998), whereas it is positively related to a host of potentially destructive interpersonal behaviors such as bragging (Carlson, 2013), competitiveness (Luchner, Houston, Walker, & Alex Houston, 2011; Raskin & Terry, 1988), hostility (Hart & Joubert, 1996; Ruiz, Smith, & Rhodewalt, 2001), Machiavellianism (McHoskey, 1995; Muris, Merckelbach, Otgaar, & Meijer, 2017), exploitativeness (Campbell, 1999; Tschanz, Morf, & Turner, 1998), aggressiveness (Baumeister, Smart, & Boden, 1996; Reidy, Zeichner, Foster, & Martinez, 2008), impulsivity (Vazire & Funder, 2006), dominance (Bradlee & Emmons, 1992; Emmons, 1984; Raskin & Terry, 1988), anger (Rhodewalt & Morf, 1998),

indifference toward the partner's needs, and a dearth of genuine love (Campbell & Foster, 2002; Campbell, Foster, & Finkel, 2002a).

In sum, previous findings have suggested that because narcissists are so self-absorbed, they are less sensitive to the requirements of the social situation (Morf, 2006; Morf & Rhodewalt, 2001; Post, 1993). Nevertheless, despite this "pseudo-social" orientation (Morf & Rhodewalt, 2001), narcissists may engage in social initiatives. The main reason behind this is their constant search for self-enhancement via exhibitionism, admiration, recognition, fame, competitiveness, and glory (Campbell et al., 2002b; Post, 1993; Sedikides et al., 2002). In this regard, it has been demonstrated that narcissists do not live in isolation, but on the contrary, they are sociable (Paulhus, 1998) and display low levels social anxiety (Watson & Biderman, 1994).

Overall, what emerges from the preceding discussion is that narcissistic individuals are full of paradoxes in the sense that they are addicted to self-esteem (Baumeister & Vohs, 2001), grandiose, self-absorbed, extroverted, entitled, exhibitionistic, antagonistic towards others (Miller & Campbell, 2008; Morf, Horvath, & Torchetti, 2011; Sedikides et al., 2002), but at the same time, they are "easily threatened and overly sensitive to feedback from others" (Morf & Rhodewalt, 2001: 177). We now turn to the conceptualization of narcissism.

Conceptualization of Narcissism

Prior literature has distinguished two conceptualizations of narcissism: the clinical psychology and the social-personality conceptualizations (Abernethy & Wallis, 2019; Campbell et al., 2011b; Miller & Campbell, 2008, 2010). According to the clinical psychology and psychiatric literature, narcissism is a personality disorder. This conceptualization is consistent with Freud's conception of the construct of narcissism (Miller & Campbell, 2010; Post, 1993). The narcissistic personality disorder (NPD)-or clinical narcissism—was first included on Axis II of the third edition of the American Psychiatric Association's (APA) Diagnostic and Statistical Manual of Mental Disorders (DSM-III; APA, 1980) and its subsequent revisions (DSM-III-R; APA, 1987; DSM IV, APA, 1994; DSM-IV-TR; APA, 2000) (Cain, Pincus, & Ansell, 2008). The DSM-IV

(APA, 2000) depicts NPD as a "pervasive pattern of grandiosity" in fantasy or actual behavior, as well as a "need for admiration and lack of empathy" (APA, 2000: 717). More formally, the DSM-IV lists 9 specific symptoms of narcissism and considers an individual as suffering from NPD when he or she has 5 (or more) of the following criteria: (1) an exaggerated sense of self-importance; (2) preoccupation with fantasies of unlimited success or power; (3) belief in "special" and unique status (including association with other special or high-status people or institutions); (4) requirement for excessive admiration; (5) unreasonable sense and expectations of entitlement; (6) interpersonal implicativeness to achieve his or her own ends; (7) lack of empathy; (8) envy and jealousy of others and belief that others are envious of him or her; (9) arrogant haughty, patronizing, or contemptuous behaviors or attitudes (Amernic & Craig, 2010; Bollaert & Petit, 2010; Campbell et al., 2011b; Duchon & Drake, 2009; Rosenthal & Pittinsky, 2006). In addition, the APA's definition of narcissism indicates that NPD must cause distress or impairment to individuals (Abernethy & Wallis, 2019; Campbell et al., 2011b).

Subsequently, from the 1980s, the social-personality literature has extended the construct of narcissism from the domain of mental illness (i.e., NPD or clinical narcissism) to encompass many tendencies among normal individuals (Wallace & Baumeister, 2002). Specifically, the social-personality literature conceptualizes narcissism as a continuously organized personality trait for the general individual which does not involve functional impairment (Campbell et al., 2011b; Chatterjee & Hambrick, 2011; Emmons, 1987; Lasch, 1979; Miller & Campbell, 2008, 2010; Raskin & Terry, 1988; Raskin & Hall, 1981). Under this conceptualization, narcissism is referred to as subclinical narcissism or normal narcissism (Campbell et al., 2011b; Emmons, 1987) and is measured by the Narcissistic Personality Inventory (NPI), which was developed by Raskin and Hall (1979) using the Diagnostic and Statistical Manual of Mental Disorders (DSM-III) criteria for NPD (Association, 1980). Notably, the NPI is a self-report inventory that measures narcissism along a continuum (Miller & Campbell, 2010). That is, the more severe form represents clinical personality disorder and the less severe form reflects narcissism a personality trait (i.e., subclinical narcissism) (Abernethy & Wallis, 2019; Campbell et al., 2004b; Emmons, 1987; Post, 1993; Young, Fei, Dworkis, & Olsen, 2016). Empirical research on subclinical narcissism has flourished since the creation of

the NPI (Cain et al., 2008). In this study, we are concerned with the personality trait of narcissism or trait continuum, that is, subclinical narcissism among CEOs, rather than the clinical disorder of NPD.

Dimensions and Types of Narcissism

Previous literature has identified the existence of different dimensions (i.e., aspects or facets) of narcissism (Emmons, 1987) and different types of narcissism (i.e., "flavors" or forms of narcissism) (Ackerman et al., 2011; Cain et al., 2008; Campbell et al., 2011b; Miller & Campbell, 2010; Miller, Gentile, Wilson, & Campbell, 2013; Pincus & Lukowitsky, 2010).

Dimensions. Psychologists have often considered narcissism as a multidimensional variable (Emmons, 1984, 1987; Kubarych, Deary, & Austin, 2004; Raskin & Terry, 1988). Prior research has provided supportive evidence that the NPI developed by Raskin and Hall (1979, 1981) measures multiple dimensions of narcissism (Ackerman et al., 2011). Using the NPI, Emmons (1984, 1987) conducted a factor analysis to identify four distinct dimensions of narcissism: (1) leadership/authority (e.g., "I see myself as a good leader"); (2) self-absorption/admiration (e.g., "I like to look at my body"); (3) superiority/arrogance (e.g., "Everybody likes to hear my stories"); and (4) Exploitativeness/Entitlement (e.g., "I insist on getting the respect that is due to me").

Types of narcissism. Psychology theorists typically distinguish between two types of narcissism (Ackerman et al., 2011; Cain et al., 2008; Campbell et al., 2011b; Miller et al., 2013; Miller et al., 2011; Pincus & Lukowitsky, 2010): grandiose and vulnerable. In this study, we use the work of Miller et al. (2011) to distinguish between the two types of narcissism. Specifically, Miller et al. (2011) perform an exhaustive comparison between grandiose narcissism and vulnerable narcissism by using an assortment of criteria grouped into the domains of personality, interpersonal behavior, and psychopathology. From a basic personality trait perspective, grandiose narcissism is characterized by low Agreeableness and Neuroticism and high Extraversion from the five-factor model (FFM), and high self-esteem (Miller & Campbell, 2008; O'Boyle, Forsyth, Banks, Story, & White, 2015), whereas vulnerable narcissism is primarily characterized by high Neuroticism and

low Agreeableness, Extraversion, and self-esteem (Campbell & Miller, 2013; Hendin & Cheek, 1997; Miller & Campbell, 2008; Miller et al., 2010). However, from an FFM perspective, individuals with traits of grandiose and vulnerable narcissism have one thing in common: they tend to be cold, hostile, and antagonistic with others (Miller et al., 2011). With respect to their interpersonal behavior, previous scholars have pointed out that individuals high on either vulnerable or grandiose narcissism share a tendency toward an egocentric, demanding, and domineering interpersonal style. Wink (1991) find that spouses of individuals high on grandiose narcissism or vulnerable narcissism described them as "bossy, intolerant, cruel, argumentative, dishonest, opportunistic, conceited, arrogant, and demanding" (595). However, the two types of narcissism diverge on other behavioral traits. For instance, spouses of grandiose narcissists described them as being "aggressive, hardheaded, immodest, outspoken, assertive and determined" (Wink, 1991: 595), whereas spouses of vulnerable narcissists described them as "worrying, emotional, defensive, anxious, bitter, tense, and complaining" (Wink, 1991: 595). A further difference between the two types of narcissism concerns their attachment style. Dickinson and Pincus (2003) suggest that individuals high on grandiose narcissism tend to display a secure or dismissive attachment style, whereas individuals high on vulnerable narcissism are more likely to display an anxious or fearful attachment style. Finally, Miller et al. (2011) highlight that grandiose and vulnerable narcissism show divergent relations with indices of psychopathology including symptoms of anxiety, depression, and psychological distress. For instance, individuals high on grandiose narcissism seems to be less distressed (Sedikides, Rudich, Gregg, Kumashiro, & Rusbult, 2004), whereas individuals high on vulnerable narcissism are more likely to be depressive, anxious, hostile, and paranoid (Miller et al., 2010).

Narcissism and Related Constructs

Narcissism and the other dark triad components. Paulhus and Williams (2002) group under the term "Dark Triad" three personality traits: Machiavellianism, narcissism, and psychopathy. Individuals with the Dark Triad personality traits share a tendency "to be callous, selfish, and malevolent in their interpersonal dealings" (Paulhus & Williams, 2002: 100). Empirical evidence suggests that Machiavellianism, narcissism, and

psychopathy contain a degree of malevolence resulting in negative outcomes (O'Boyle, Forsyth, Banks, & McDaniel, 2012). Machiavellianism is used to refer to individuals who employ "strategies that advocate self-interest, deception and manipulation" (Jakobwitz & Egan, 2006: 332). Machiavellians display a tendency to cheat, lie, steal from, and betray others, but they are less likely to engage in extremely negative forms of antisocial behavior (Fehr, Samson, & Paulhus, 1992; Jones & Paulhus, 2009; O'Boyle et al., 2012). They are more likely to make unethical business decisions (Kish-Gephart, Harrison, & Treviño, 2010) such as frauds (Harrison, Summers, & Mennecke, 2018). Psychopaths are individuals who lack concern for both other people and social regulatory mechanisms. They are emotionally callous, impulsive, tend to be manipulative, untruthful, ruthless, opportunistic, calculating, unremorseful, incapable of experiencing the feelings of others, yet tend to be skilled impression managers and capable of being charming, charismatic, and faking emotions (Boddy, 2006; Hare & Neumann, 2009; O'Boyle et al., 2012; O'Boyle et al., 2015). When it comes to the connection between narcissism, Machiavellianism, and psychopathy, Paulhus and Williams (2002) point out the existence of empirical evidence of an overlap between the three traits, but suggest that they present three different personality constructs. Specifically, they compare Machiavellianism, narcissism, and psychopathy and show that they cannot be considered as equivalent in normal populations. Similarly, Maaß and Ziegler (2017) suggest that the three personality traits show different impression management skills. Specifically, they find that narcissists are the best "impression makers" of all the Dark Triad traits. They explain this result by the fact that individuals with higher psychopathy levels have only a slight interest in showing positive images of themselves because of their disinterest in other people and lack of empathy. Similarly, highly manipulative Machiavellianists are reluctant to make any favorable impression unless they consider a situation or an event as very important.

Narcissism and core self-evaluation. Core self-evaluation (CSE) is a broad, latent, higher-order trait representing a fundamental appraisal of one's worthiness, effectiveness, and capability as a person (Judge, Erez, Bono, & Thoresen, 2003). CSE captures the overlap of four personality traits: (1) self-esteem is the most central component of CSE (Judge, Locke, & Durham, 1997); (2) generalized self-efficacy refers to "individuals' perception of their ability to perform across a variety of situations" (Judge, Erez, & Bono,

1998: 170); (3) neuroticism is one of the "Big Five" personality traits and refers to the tendency to have a negative cognitive and explanatory style and to focus on negative aspects of the self (Judge et al., 1997); and (4) locus of control is the belief about the causes of events in one's life (Rotter, 1954). As such, CSE is highly related to some aspects of narcissism, that is, the positive self-regard and self-potency, but unrelated (and possibly negatively related) to other aspects of narcissism such as the need for applause and adulation (Chatterjee & Hambrick, 2007; Hiller & Hambrick, 2005). In particular, narcissism is more related to one of the CSE's traits. As aforementioned, narcissism is strongly linked to self-esteem (Campbell et al., 2002b; Emmons, 1984, 1987; Kernis & Sun, 1994; Morf & Rhodewalt, 1993; Raskin, Novacek, & Hogan, 1991; Raskin & Terry, 1988; Rhodewalt, Madrian, & Cheney, 1998; Rhodewalt & Morf, 1995, 1998). What narcissists and self-esteemers have in common is that they have positive self-views, think that they are better than the average, and have an acquisitive self-promotional style (Brown, 1986). There is, however, differences between narcissists and high self-esteemers. Narcissists' self-views rest in the agency domain (e.g., intellectual skills, extraversion) but high self-esteemers' self-views rest in the agency as well as communion domains (e.g., agreeableness, morality) (Campbell et al., 2002b). In addition, in comparison to self-esteemers, the feeling of grandiosity of narcissists is beyond high self-esteem levels (e.g., "I deserve admiration because I am the best!"). In addition, despite their high self-esteem, narcissists are continually concerned about protecting, managing, and enhancing their self-view (Raskin et al., 1991).

Narcissism, hubris, and overconfidence. Narcissism, hubris, and overconfidence are three psychological constructs that have stirred up a great deal of research not only in psychology, but also in economics, strategic management, corporate finance, and accounting (Bollaert & Petit, 2010; Campbell et al., 2004b; Campbell et al., 2011b; Hiller & Hambrick, 2005; Post, 1993; Roll, 1986). Researchers rely on different definitions of the three constructs. Some scholars distinguish between narcissism, overconfidence, and hubris (Bollaert & Petit, 2010; Chatterjee & Hambrick, 2011; Hiller & Hambrick, 2005; Rosenthal & Pittinsky, 2006), whereas others do not distinguish clearly between the three constructs. As a result, narcissism, overconfidence, and hubris are used interchangeably to refer to different constructs (Baker, Ruback, & Wurgler, 2007; Bodolica & Spraggon,

2011; Brown & Sarma, 2007). This conceptual problem has been pointed out by Bollaert and Petit (2010). It is worth mentioning, from the outset, that narcissism and hubris are personality traits (Judge & LePine, 2007), whereas overconfidence is a cognitive bias (Parikh, 2009; Schaefer, Williams, Goodie, & Campbell, 2004). That is, overconfidence relates only to the perception of reality (Aktas et al., 2016), while hubris and narcissism are personality traits that describe cognition and behavior. We suggest that there is value in differentiating and relating overconfidence and hubris to narcissism.

Narcissism versus hubris. Like narcissism, hubris originates from Greek mythology and is cited as a cause of tragedy by Aristotle (Else, 1967), but no common definition exists for hubris (Hayward & Hambrick, 1997). In psychology, Owen and Davidson (2009) consider hubris syndrome as a personality disorder that occurs after holding a position of power for a period of time. Using a sample of U.S. presidents and UK prime ministers over a period of 100 years, Owen and Davidson (2009) point out that hubris may be developed when a person access to a position of power such as being a politician or business leaders. It would follow that hubris is an acquired personality disorder (Petit & Bollaert, 2012). In the strategic management field, several researchers have attempted to describe hubris. For instance, Hayward and Hambrick (1997) consider extreme confidence as the essential element of hubris. Hayward, Shepherd, and Griffin (2006) use a definition of hubris using three types of overconfidence, that is, "(1) overconfidence in knowledge, (2) overconfidence in prediction, and (3) overconfidence in personal abilities" (162). Li and Tang (2010) and Tang et al. (2015) consider overconfidence and hubris to be synonymous. Judge et al. (2009) suggest that hubris is characterized by an excessive pride, an excessive self-confidence, and an exaggerated self-evaluation in terms of talent, ability, and accomplishment. According to Bodolica and Spraggon (2011), hubris is the dark side of pride which "is related to human arrogance, vanity, excessive self-importance, exaggerated confidence, and self-aggrandized perception of one's own self" (539). Petit and Bollaert (2012) suggest that hubris refers to "overweening pride."

Owen and Davidson (2009) list 14 symptoms constituting the hubris syndrome. A hubristic is a person who: "(i) sees the world as a place for self-glorification through the use of power; (ii) has a tendency to take action primarily to enhance personal image; (iii)

shows disproportionate concern for image and presentation; (iv) exhibits messianic zeal and exaltation in speech; (v) conflates self with nation or organization; (vi) uses the royal 'we' in conversation; (vii) shows excessive self-confidence; (viii) manifestly has contempt for others; (ix) shows accountability only to a higher court (history or God); (x) displays unshakeable belief that they will be vindicated in that court; (xi) loses contact with reality; (xii) resorts to restlessness, recklessness and impulsive actions; (xiii) allows moral rectitude to obviate consideration of practicality, cost or outcome; and (xiv) displays incompetence with disregard for nuts and bolts of policy making" (Owen & Davidson, 2009: 3). As evidenced by Owen and Davidson's definition of hubris, there is an overlap between hubris and narcissism. That is, some of the 14 symptoms listed by Owen and Davidson (2009) correspond to the criteria for Narcissitic Personality Disorder which are listed in the DSM-IV (APA, 1994) (Aktas et al., 2016). Accordingly, what distinguishes hubris from narcissism are the nonoverlapping items. In the same vein, Chatterjee and Hambrick (2007) assert that, compared to narcissism, hubris lacks "a sense of entitlement, preoccupation with self, and continuous need for affirmation and applause" (Chatterjee & Hambrick, 2007: 357).

Narcissism versus overconfidence. The importance of overconfidence in the conduct of human affairs is indisputable (Griffin & Tversky, 1992). Behavioral psychologists suggest that overconfidence is one of the most pervasive judgmental biases (Parikh, 2009; Schaefer et al., 2004) and one of the most studied (Taylor & Brown, 1988). However, overconfidence has never been clearly defined in the literature on heuristics (Glaser & Weber, 2007). Instead, researchers tend to define overconfidence by using one of its manifestations. Two main manifestations of overconfidence have been identified in the psychology literature: miscalibration and optimistic overconfidence (Ben-David, Graham, & Harvey, 2013; Glaser & Weber, 2007; Griffin & Brenner, 2004; Griffin & Varey, 1996; Libby & Rennekamp, 2012; Skala, 2008). Miscalibration, also called *overprecision* (Ben-David et al., 2013; Moore & Healy, 2008), refers to the overestimation of one's knowledge or one's judgment (Griffin & Varey, 1996). Optimistic overconfidence, or so-called positive illusions (Skala, 2008) or dispositional optimism (Libby & Rennekamp, 2012), refers to "the tendency to overestimate the likelihood that one's favored outcome will occur" (Griffin & Varey, 1996: 228).

The optimistic overconfidence encompasses several psychological concepts such as the better-than-average effect, unrealistic optimism, and illusion of control (Griffin & Brenner, 2004; Skala, 2008). Prior social comparison and self-assessment literatures have evidenced that when making comparative judgments of traits, abilities, or other attributes, people tend to rate themselves better than the average (Alicke, Dunning, & Krueger, 2005; Alicke, Klotz, Breitenbecher, Yurak, & Vredenburg, 1995; Griffin & Brenner, 2004; Moore & Healy, 2008: 502). The better-than-average effect is a social comparison bias that refers to the manner in which people evaluate their own abilities compared to other people (Larrick, Burson, & Soll, 2007). Taylor and Brown (1988) suggest that the better-than-average-effect is a manifestation of people's tendency to have an unrealistically positive view of themselves. Unrealistic optimism refers to people's tendency to exaggerate the likelihood of experiencing positive events and underestimate the likelihood of experiencing negative events (Griffin & Brenner, 2004; Weinstein, 1980; Weinstein & Klein, 1996). To describe people biased perceptions of the future, Taylor and Brown (1988) have a famous quote: "The future will be great, especially for me" (197). These positive illusions stem from the fact that people have an unrealistic positive view of themselves, an overestimation of their ability in monitoring the environment, and a misconception of their risk by viewing it as below average (Taylor & Brown, 1988). The illusion of control refers to the tendency of people to overestimate their own ability to control random events (Larwood & Whittaker, 1977; Taylor & Brown, 1988; Yarritu, Matute, & Vadillo, 2014). At this point, it should be emphasized that it has been a great deal of overlap between the concepts of better-than-average effect, unrealistic optimism, and illusion of control in both theoretical and experimental studies (Skala, 2008). It is also important to highlight that, as a cognitive bias, optimistic overconfidence is marked and nearly universal (Griffin & Varey, 1996). Indeed, prior research has documented that normal individuals are more likely to display unrealistically positive views of themselves, to believe that they may control their environment, and to think that their future will be far better than the average person (Taylor & Brown, 1988).

Work by psychologists has routinely considered that the diverse manifestations of overconfidence derive from two types of causes: motivational and cognitive causes (Buehler, Griffin, & MacDonald, 1997; Keren, 1997; Langer, 1975; Russo &

Schoemaker, 1992; Skala, 2008; van den Steen, 2004). Some researchers propose a motivational explanation for overconfidence by contending that it arises from the need to believe in one's abilities (Russo & Schoemaker, 1992). Following this perspective, overconfidence is rooted in the need for maintaining and enhancing one's self-esteem (Kelley, 1973; Taylor & Brown, 1988; van den Steen, 2004; Weinstein, 1980; Weinstein & Klein, 1996). The social psychology literature suggests that to protect or enhance their self-esteem, people are motivated to attribute success outcomes to causal sources within the person and to attribute failure outcomes to causal sources outside the person (Bradley, 1978; Fitch, 1970; Miller & Ross, 1975; Zuckerman, 1979). This is known as the self-serving bias in causal attribution. Prior research has suggested that self-attribution bias generally engenders individual's overconfidence (Billett & Qian, 2008; Doukas & Petmezas, 2007; Langer & Roth, 1975; Miller & Ross, 1975; Wolosin, Sherman, & Till, 1973). In this regard, Hirshleifer (2001) highlights that "Overconfidence and biased self-attribution are static and dynamic counterparts; self-attribution causes individuals to learn to be overconfident rather than converging to an accurate self-assessment" (1549). In addition, prior psychology research has proposed an alternative explanation of overconfidence, that is, the existence of cognitive filters. According to Taylor and Brown (1988), overconfidence stems, is maintained, and maybe enhanced by the existence of a number of cognitive filters that not only make information disproportionately positive, but also rend harmless the negative information escaping these filters.

When it comes to the connection between narcissism and overconfidence, work by psychologists has shown that individuals exhibiting a high degree of narcissism are likely to be overconfident (Campbell et al., 2004b; Chen, 2010; Post, 1993; Rosenthal & Pittinsky, 2006; Schaefer et al., 2004) and that narcissism predicts overconfidence (Macenczak, Campbell, Henley, & Campbell, 2016). Using an experimental research design, Pallier et al. (2002) find an association between overconfidence and some facets of extraversion, a trait on which narcissists display a high better-than-average effect (Campbell et al., 2002b). Similarly, Schaefer et al. (2004) show that extraversion predicts overconfidence. In addition, both narcissistic and overconfident individuals make self-serving attributions for positive outcomes. For instance, several studies in finance document the role of self-serving bias in reinforcing the overconfidence of market

participants. Daniel, Hirshleifer, and Subrahmanyam (1998) document that self-attribution influence investors' overconfidence about the precision of private information. Gervais and Odean (2001) show that self-attribution makes traders becoming overconfident. Hilary and Menzly (2006) also provide evidence that self-attribution bias bolsters analysts' overconfidence mainly those who are experiencing short-term success. In the context of acquisition, Doukas and Petmezas (2007) document the influence of self-attribution bias on managerial overconfidence by showing that managers tend to credit the initial success to their own ability and tend to engage in more deals. Finally, Libby and Rennekamp (2012) demonstrate that self-serving attribution reinforces financial managers' overconfidence. These results document an increase in managers' confidence with regard to their ability to generate higher performance in the future.

However, psychology literature underlines that narcissism and overconfidence are two different constructs (Campbell et al., 2004b). The primary difference between overconfidence and narcissism is that overconfidence is a cognitive bias (Parikh, 2009; Schaefer et al., 2004), while narcissism is a personality trait that describes both cognition and behavior (Aktas et al., 2016). Specifically, overconfidence relates to "an inflated subjective probability of a particular outcome occurring." Campbell et al. (2004b: 299), that is, it relates to an individual's judgmental bias in a specific situation. However, narcissism refers to a need for constant enhancement of the positivity of the self to achieve status and esteem (Campbell et al., 2004b). In this regard, Campbell et al. (2004b) mention that "narcissists have a particular long-term interest in making reasonable and measured decisions, based on the causal reasoning: good decisions→success→status and esteem" (298). Consequently, "Narcissism is a quality of the self that has significant implications for thinking, feeling and behaving" (Campbell & Foster, 2007: 115) and which is experienced across situations (Campbell et al., 2004b).

Narcissism and Leader Emergence and Effectiveness

An extensive body of research has been conducted over the years to understand the relationship between personality and leadership (Bono & Judge, 2004; Gaddis & Foster, 2015; Judge & Bono, 2001; Judge, Bono, Ilies, & Gerhardt, 2002a; Judge et al., 2009; Smith & Foti, 1998; Zaccaro, Green, Dubrow, & Kolze, 2018). Research findings suggest

that individuals differences impact leadership outcomes (Bono & Judge, 2004; Judge et al., 2002a; Zaccaro et al., 2018; Zaccaro, LaPort, & José, 2013). According to Judge et al. (2009), "the emergence of leadership itself is proof of individual differences" (855). This statement is perfectly true because leadership tasks are cognitively demanding in terms of their performance requirements (Zaccaro et al., 2013). Prior research has evidenced that intelligence, extraversion, high self-esteem, confidence, social skills, generalized self-efficacy, and interpersonal dominance are the most prominent traits of leaders (Hogan, Curphy, & Hogan, 1994; House & Howell, 1992; Judge et al., 2002a; Paunonen, Lönnqvist, Verkasalo, Leikas, & Nissinen, 2006; Peterson, Walumbwa, Byron, & Myrowitz, 2009). As aforesaid, narcissists have been found to display high levels of intelligence (Paulhus, 1998), extraversion (Abernethy & Wallis, 2019), self-esteem (Emmons, 1984, 1987), confidence (Campbell et al., 2004b), self-efficacy (Watson et al., 1991), and dominance and power (Carroll, 1987; Emmons, 1989). Consequently, narcissists are more likely to end up in leadership positions because they possess leadership traits in abundance.

In particular, narcissists are attracted to organizational leadership roles. In this regard, Kets de Vries (2003) suggest:

> Indeed it is only to be expected that many narcissistic people, with their need for power, prestige, and glamour, eventually end up in leadership positions. Their sense of drama, their ability to manipulate others, their knack for establishing quick, superficial relationships serve them well in organizational life (Kets de Vries, 2003: 23).

In addition, CEOs are not assigned to firms randomly (Christensen, Dhaliwal, Boivie, & Graffin, 2015; Francis, Huang, Rajgopal, & Zang, 2008a), on the contrary, they are hired after a selection process (Goel & Thakor, 2008; Zajac, 1990) and they are often "chosen precisely because they have the 'right' background or temperament to carry out actions hoped for by the board of directors or other controlling parties" (Hambrick & Mason, 1984: 197). It is very likely that "individuals with strong narcissistic personality features

are more willing to undertake the arduous process of attaining [such] a position of power" (Kets de Vries & Miller, 1985: 587).

2.1.3.4 Controversy over the Influence of CEO Narcissism on Corporate Outcomes

As indicated previously, personality psychologists point out the existence of bright personality traits and dark personality traits. They also provide a prediction for trait paradoxes (Judge et al., 2009). The trait paradoxes challenge the long-standing personality paradigm suggesting that bright personality traits have only unalloyed advantages and that dark personality traits have only disadvantages. There is an emerging empirical evidence in social psychology, organizational behavior, entrepreneurship, leadership, human resources, and strategic management suggesting that bright (dark) personality traits seldom have unalloyed advantages (disadvantages) (Judge & LePine, 2007; Judge et al., 2009; Resick et al., 2009; Smith et al., 2018). Judge et al. (2009) consider both the positive and negative effects of the bright personality traits–the Big Five traits, core self-evaluations, intelligence, and charisma–and the dark ones–narcissism, hubris, dominance, and Machiavellianism–and recognize that bright and dark traits may produce countervailing effects depending on the circumstances.

Specifically, Judge and LePine (2007) and Judge et al. (2009) identify four possible implications of trait paradoxes for leadership emergence and effectiveness: (1) bright traits that are, in most cases, beneficial for leaders and stakeholders (i.e., "the bright side of bright traits"); (2) dark traits that are, in most situations, detrimental for leaders and stakeholders (i.e., "the dark side of dark traits"); (3) bright traits that have, in certain situations and at extreme levels, adverse implications for leaders and stakeholders (i.e., "the dark side of bright traits"); and (4) dark traits that may be, in certain situations, beneficial for leaders and stakeholders (i.e., "the bright side of dark traits"). In addition, the paradox of traits suggests that both bright and dark side of the bright and dark personality traits depend on the situation and the intensity of one's trait disposition (Judge et al., 2009).

The trait paradoxes paradigm is particularly relevant for our study given that we are interested in the influence of CEO narcissism, a dark personality trait, on environmental and social disclosures. Narcissism has been described as a "mixed blessing" or "trade-

off" (Campbell & Campbell, 2009; Paulhus, 1998) meaning that narcissism is linked to outcomes for the self and the social environment that can be positive as well as negative (Campbell et al., 2011b). Campbell and Foster (2007) suggest that the "goodness" and "badness" of narcissism depends on the contexts and the outcomes that are assessed. Regarding the intensity of narcissism, Kohut (1966) considers narcissism as an independent and potentially healthy process in normal development. Maccoby (2000) suggests that individuals need to be at least somewhat narcissistic to survive or assert their needs. In the same vein, Sedikides et al. (2004) and Hiller and Hambrick (2005) argue that a normal level of narcissism is healthy. In the organizational context, narcissism predicts leader emergence and effectiveness (Brunell et al., 2008; Nevicka, De Hoogh, Van Vianen, Beersma, & McIlwain, 2011). Lubit (2002) and Kets de Vries (2004) suggest that some level of narcissism is required, because otherwise leadership will be ineffective or even impossible. However, researchers emphasize that it is the excesses of narcissism that leads to potentially negative organizational outcomes (Amernic & Craig, 2010; Hogan & Benson, 2009; Hogan et al., 1994; Hogan & Hogan, 2001; Kets de Vries, 2004; Kets de Vries & Balazs, 2010).

Overall, the literature points out that the construct of narcissism as a dark trait is complex and tends to contain somewhat contradictory components (Higgs, 2009). Some researchers assert that narcissism is correlated with destructive leadership (Craig & Kaiser, 2013; Lubit, 2002; Padilla, Hogan, & Kaiser, 2007; Sankowsky, 1995). Rosenthal and Pittinsky (2006) list several features that may lead to the downside of narcissism, including arrogance, need for recognition and superiority, hypersensitivity, anger, lack of empathy, amorality, and paranoia. These features explain why narcissistic leaders tend to engage in destructive actions, viz: (1) abuse of power for personal aggrandisement (Post, 1993); (2) creation of "blame" and "toxic" cultures (Hogan et al., 1994); (3) unethical and illegitimate behavior (Amernic & Craig, 2010; Blickle, Schlegel, Fassbender, & Klein, 2006; Duchon & Drake, 2009; Gladwell, 2002; Kets de Vries, 1993; Rijsenbilt & Commandeur, 2013; Schweitzer, Ordóñez, & Douma, 2004); and (4), even, organizational collapse (Benson & Hogan, 2008). These negative aspects of CEO narcissism, however, should not conceal some positives. That is, narcissism is necessary and beneficial for managers and is more likely to be linked to positive organizational outcomes (Maccoby,

2000, 2004). Researchers agree that the bright side of narcissism can outweigh the dark side of narcissism (Kets de Vries & Miller, 1984, 1997; Lubit, 2002; Maccoby, 2000, 2003). Multiple frameworks have been worked out for addressing how narcissistic CEOs can be a force for good at the head of firms such as "reparative" narcissism (Volkan & Itzkowitz, 1984), "charismatic" narcissism (Post, 1993), "constructive" narcissism (Kets de Vries & Miller, 1997), and "productive" narcissism (Maccoby, 2000, 2004). There are several reasons underlying the potential benefits of narcissistic CEOs: narcissists are confident (Emmons, 1984), have compelling visions for companies and have an ability to attract followers (Maccoby, 2000), perform well under pressure (Wallace & Baumeister, 2002), implement self-regulatory tactics that preserve their self-esteem (Morf & Rhodewalt, 2001), can be outgoing (Bradlee & Emmons, 1992), and are self-aware of their behavioral tendencies and consciously work to control them (Maccoby, 2000, 2004).

Empirical evidence of the influence of narcissistic managers on firms' decisions and outcomes is widespread and confirms the coexistence of the bright side and dark side of narcissism, just as is the case for other personality traits (Gaddis & Foster, 2015; Tett & Burnett, 2003).

Dark Side of CEO Narcissism

Several studies show that narcissistic CEOs are more likely to make suboptimal decisions resulting in negative outcomes for firms. For instance, in the context of merger and acquisition, Aktas et al. (2016) examine the impact of acquirer and target CEO narcissism on the various aspects of the takeover process. They suggest that the effects CEO narcissism vary depending on the portion of the takeover process. Aktas et al. (2016) find that the presence of highly narcissistic target CEOs is more likely to lead to negative market reactions for the acquirer. The authors explain these results by the fact that investors might anticipate that highly narcissistic target CEOs are more likely to manipulate less narcissistic acquiring CEOs and may be held out for high prices. They also show that, because highly narcissistic individuals are poor negotiators, the likelihood of merger and acquisition deal completion is reduced when both acquirer and target CEOs are highly narcissistic. Finally, Aktas et al. (2016) find that narcissistic target CEOs are less likely to obtain a prestigious position in the combined entity when the acquirer CEOs

display higher levels of narcissism as narcissists believe themselves to be special and unique (APA, 1994). Ham et al. (2018) investigate the impact of CEO narcissism on firms' investment policies and performance. Using a sample of 741 CEOs from 411 firms over the 1992-2015 period, they show that narcissistic CEOs are more likely to overinvest, particularly in research and development expenditures and merger and acquisition expenditures. However, Ham et al. (2018) find that narcissistic CEOs are less likely to invest in more routine capital expenditures, although this type of expenditure is necessary to maintain the condition of firms' assets in place. They explain these results by the desire of narcissistic CEOs to embellish their reputation through "high-exposure" investments. They also find that narcissistic CEOs experience lower financial productivity in the form of profitability and operating cash flows. Finally, the authors document that, despite their negative performance, narcissistic CEOs enjoy higher absolute and relative compensation. Overall, the findings of Aktas et al. (2016) and Ham et al. (2018) support the idea that, due to their relentless search for recognition and attention, narcissistic CEOs are more likely to engage in empire building via merger and acquisition transactions, in particular because such transactions create excessive media coverage.

The negative impact of managers narcissism on firms' outcomes is also evidenced by accounting studies, although research on the impact of CEO narcissism on corporate financial reporting decisions is still at a nascent stage. In this regard, Amernic and Craig (2010) note that, as of 2010, the relationship between CEOs narcissism and financial accounting and reporting has not yet been studied. In two conceptual papers, Anderson and Tirrell (2004) and Amernic and Craig (2010) suggest that extremely narcissistic CEOs are more likely to engage in unethical conduct such as issuance of poor quality financial statements and frauds. Many motives may explain the unethical behavior of narcissistic CEOs. Anderson and Tirrell (2004) put the following motives: (1) overidentification with the business; (2) ego; (3) family pressures; (4) growth strategies; and (5) survival concerns. Amernic and Craig (2010) suggest that financial accounting gives many opportunities to extremely narcissistic CEOs (i.e., destructive narcissists) to engage in unethical behavior. That is, financial accounting is an amenable, malleable, and legitimating language that can be used by narcissistic CEOs to boost their ego and self-esteem.

Since the publication of Amernic and Craig's paper, more and more authors provide empirical evidence on the influence of CEO narcissism on corporate financial reporting decisions. The main applications of narcissism in accounting research split between financial reporting choices and voluntary disclosure areas including fraud, earnings management, earning smoothing, restatement, issuance of earnings forecasts, earnings forecasts' characteristics, and tone of earnings announcements. For instance, Hales, Hobson, and Resutek (2012) use an experimental research design to investigate the association between CEO narcissism and performance reporting. They find that highly narcissistic CEOs are more likely to inflate reported performance only when they consider that the task has the potential to enhance their social status. By using a sample of S&P 500 firms subject to the SEC Accounting and Auditing Enforcement Releases (AAERs) over the period from 1992 to 2008, Rijsenbilt and Commandeur (2013) examine the relation between CEO narcissism and the likelihood of financial misreporting and fraud. Using 113 AAERs that relate to 54 CEOs, they show that high narcissistic CEOs, relative to lows, are more likely to commit frauds. Rijsenbilt and Commandeur (2013) explain the unethical behavior of narcissistic CEOs by their desire to reach their goals and to satisfy their continuous need for praise and admiration.

Olsen et al. (2014) use a sample of Fortune 500 companies over the 1992-2009 period and investigate the influence of CEO narcissism on reported financial performance numbers (i.e., earnings per share (EPS) and stock price). They find that CEO narcissism is positively related to both earnings per share (EPS) and stock valuation (stock price). Olsen et al. (2014) also document that the positive relationship between CEO narcissism and earnings per share (EPS) is driven by two types of earnings management, that is, real activities (such as sales discounts, lenient credit terms, and overproduction) and meeting or beating earnings forecasts. However, Olsen et al. (2014) show that narcissistic CEOs are less likely to manage earnings through accrual based manipulations, outstanding share effects (i.e., buybacks and EPS accretion), or earnings restatements. These findings add new empirical evidence confirming prior psychology literature suggesting that narcissists are self-focused and motivated by the desire of getting recognition, enhancing their self-esteem, and getting monetary incentives (Foster & Brennan, 2011). Using an experimental design, Majors (2016) rates 96 participants on a "Dark Triad" personality score of

Machiavellianism, narcissism, and psychopathy. She finds that participants with excess scores in any of the three Dark Triad personalities are more likely to report more aggressively in a regime of no range disclosure for uncertain estimates. Considering that CFOs' duties are exclusively financial and that they have primary control over financial reporting decisions and outcomes, Ham et al. (2017) examine the relationship between CFO narcissism and financial reporting quality. They show that narcissistic CFOs are more likely to aggressively manage accruals, to engage in real earnings management, and to report less conservatively. They also find that CFO narcissism is positively related to weak internal control quality and earnings restatements.

Using a sample of 936 NYSE listed firms over the period from 2008 to 2012 and employing the modified model of Dechow and Dichev (2002), Capalbo, Frino, Lim, Mollica, and Palumbo (2018) show that narcissistic CEOs are more likely to engage in accruals management. Marquez-Illescas et al. (2019) examine the influence of CEO narcissism on the tone of earnings announcements. They measure the tone of earnings announcements in the 10-Qs by counting the number of positive and negative words. Using a sample of 280 CEOs of 215 Fortune 500 companies over the 1996-2014 period, the authors show that CEO narcissism is positively related to the tone of earnings announcements. They explain the tendency of narcissistic CEOs for using positive tone to describe their performance by their need to reinforce their grandiose and self-image. Nevertheless, they show that, given their greater humility and conscientiousness, older narcissistic CEOs are less inclined to have positive tone in their earnings announcements. In a recent study, Buchholz et al. (2019) use a sample of 671 S&P 500 companies over the period from 1992 to 2012 to examine the relationship between CEO narcissism and earnings management. The authors find that highly narcissistic CEOs, relative to lows, are more associated with poor earnings quality.

A more in-depth analysis of the accounting practices of narcissistic CEOs shows that highly narcissistic CEOs use both earnings-increasing and earnings-decreasing accounting choices. The reason for the use of earnings-increasing accruals by narcissistic CEOs is obvious: narcissistic CEOs tend to be optimistic (Hickman, Watson, & Morris, 1996). On the other hand, the use of income-decreasing accruals by highly narcissistic

CEOs is also a manifestation of their opportunistic behaviors. In particular, highly narcissistic CEOs are more likely to use income-decreasing accruals in their first year to prepare the grounds for increasing future earnings. Buchholz et al. (2019) suggest that highly narcissistic CEOs are more likely to build reserves for the future by managing earnings to manipulate organizational audiences' perceptions. In addition to the influence of narcissistic CEOs on corporate mandatory and voluntary disclosures, researchers show that narcissistic CEOs impact corporate tax practices. For instance, Olsen and Stekelberg (2016) use a sample of 232 CEOs of Fortune 500 companies over the period from 1992 to 2009 to examine the influence of CEO narcissism on firms' tax avoidance. They demonstrate that firms led by narcissistic CEOs are more likely to engage in tax shelters resulting in significant tax benefits for firms.

In sum, the preceding review shows that, as hypothesized by Amernic and Craig (2010), narcissistic CEOs are more likely to engage in unethical behavior to boost their ego and self-esteem. Nevertheless, this should not mask the bright side of CEO narcissism.

Bright Side of CEO Narcissism

Prior research has suggested that CEO narcissism may affect positively firms' outcomes (Maccoby, 2000, 2004; Rosenthal & Pittinsky, 2006). For instance, Chatterjee and Hambrick (2007) investigate the influence of narcissistic CEOs on companies' strategic dynamism, the number and size of acquisitions made, performance (i.e., return on assets) extremeness, and performance fluctuations. Using a sample of 111 CEOs in the computer software and hardware sectors over the period from 1992 to 2004, they show that CEO narcissism is positively associated with strategic dynamism, the size and number of acquisitions, and return on assets extremeness. Chatterjee and Hambrick (2007) document that CEOs vary in their degrees of narcissism and that highly narcissistic CEOs are more likely to take bold action to attract attention resulting in big wins or big losses. More importantly, they show that the financial performance of firms led by narcissistic CEOs is quite like that of firms led by non-narcissistic ones. These results suggest that narcissistic CEO do not necessarily influence negatively firms' performance. Chatterjee and Hambrick (2011) conduct two distinct studies to investigate the moderating effect of

CEO narcissism on firms' capability cues (i.e., firm performance and social praise) on current risk taking (i.e., research and development expenditures, capital expenditures, and acquisitions). In their first study, they use a sample of 152 CEOs in the computer hardware and software sectors and find that CEO narcissism dampens the positive effect of capability cues. Specifically, Chatterjee and Hambrick (2011) show that, compared to less narcissistic CEOs, highly narcissistic CEOs are less sensitive to recent objective performance. In the second study, they use a sample of 131 CEOs who made major acquisitions. They find that CEO narcissism strengthens the effect of social praise on acquisition premiums. They explain these results by narcissists' desire for social praise. Overall, Chatterjee and Hambrick (2007, 2011) provide empirical evidence on the positive link between CEO narcissism and key financial variables including performance and acquisition intensity.

In the biotech sector, Gerstner et al. (2013) investigate the tendency of narcissistic CEOs toward the adoption of technological discontinuities. Specifically, the authors investigate the responses of 33 U.S. pharmaceutical firms to the advent of biotechnology over the period from 1980 to 2008. They show that narcissistic CEOs are eager adopters of new technologies via the formations of biotech alliances, acquisitions of biotech companies, and the launch of organic biotech research and development projects. They also document that narcissistic CEOs are more likely to invest aggressively in biotech than their less narcissistic peers when audience engagement (i.e., the degree to which observers view a phenomenon as noteworthy and provocative) is particularly high. Finally, Gerstner et al. (2013) find a positive association between CEO narcissism and managerial attention to biotech and that the association is moderated by the degree of audience engagement. In the merger and acquisition context, narcissistic CEOs may also influence positively some of the steps in the takeover process. In this regard, Aktas et al. (2016) show that acquiring narcissistic CEOs are more likely to initiate the takeover and to shorten the private phase of the takeover process, which would reduce the negotiation costs. They explain their results by the pressing need for narcissistic CEOs to reap the ego benefits of a takeover announcement resulting from the motivational and interpersonal exploitative aspects of narcissism (APA, 1994; Campbell & Foster, 2007).

Finally, in the context of CSR, Petrenko, Aime, Ridge, and Hill (2016) investigate the influence of CEO narcissism on CSR performance. Using a sample of S&P 500 firms over the 1997-2012 period, they show that narcissistic CEOs influence positively firms' CSR performance. In addition, when they distinguish between CSR performance strengths and CSR performance concerns, they find that while the relationship between CEO narcissism and CSR performance strengths is positive, the relationship between CEO narcissism and CSR concerns is negative. These findings are consistent with the idea that narcissistic CEOs seek positive attention and praise (Campbell, Goodie, & Foster, 2004; Chatterjee & Hambrick, 2007, 2011), in particular, by avoiding negative CSR initiatives. Petrenko et al. (2016) also demonstrate that firms led by highly narcissistic CEOs are more likely to engage in higher corporate philanthropy media profile and to continue to generate high corporate philanthropy media profile once they succeed at it. Finally, the authors show that narcissistic CEOs negatively moderate the relationship between CSR performance and financial performance. They suggest that narcissistic CEOs are more likely to consider non-financial parameters when making CSR decisions.

Cumulatively, the previous review highlights the importance of considering CEOs' psychological characteristics to understand the causes of both their ethical and unethical behaviors. In addition, the empirical evidence corroborates the paradoxical nature of narcissism. That is, narcissistic CEOs may impact firms outcomes, either positively or negatively.

The preceding overview of the literature on voluntary disclosure, CSR disclosure, and the construct of narcissism reveals three important findings. First, prior studies have corroborated the paradoxical nature of narcissism. Therefore, narcissistic CEOs can influence corporate outcomes, both positively and negatively. Second, prior empirical research has evidenced the effect of CEO narcissism on important corporate decisions such as financial reporting. Third, prior research has demonstrated the positive influence of CEO narcissism on CSR performance (Petrenko et al., 2016). However, a field less explored is the existence of a possible effect of CEO narcissism on environmental and social disclosures. In the following section, we argue that CEO narcissism may be

associated with more extensive environmental and social disclosures. We also explore the moderating role of corporate governance structures.

2.2 Hypotheses Development

2.2.1 Relationship Between CEO Narcissism and the Extent of Environmental and Social Disclosures

The personality trait of narcissism overlaps with several other personality traits. Narcissism is seen as a multifaceted construct (Chatterjee & Hambrick, 2011). As aforesaid, narcissists are characterized by a high level of self-esteem (Baumeister & Vohs, 2001; Emmons, 1984, 1987), which is a positive aspect of narcissistic personality (Judge et al., 2009). According to Baumeister, Campbell, Krueger, and Vohs (2003), individuals with high self-esteem tend to be likable and attractive and more willing to speak up in groups, a behavior that often results in the emergence of leadership (Judge et al., 2009). Individuals with high self-esteem also tend to present themselves in a self-enhancing fashion (Baumeister, Tice, & Hutton, 1989). Moreover, individuals with high self-esteem may be inclined to make a good impression on others (Tice, 2013), to draw attention to themselves, and to seek opportunities "to stand out from the mass of humanity in a positive way" (Baumeister et al., 1989: 571). Using the concept of core self-evaluation, Hiller and Hambrick (2005) suggest that, compared to other CEOs, narcissistic CEOs tend to have higher levels of self-esteem.

In addition to their high self-esteem, narcissists are characterized by grandiose self-views and self-importance (Morf, Horvath, & Torchetti, 2011; Morf & Rhodewalt, 2001). They are concerned with establishing their status, prestige, and superiority (Morf & Rhodewalt, 2001). They also display exhibitionistic behaviors, crave for attention and admiration in the forms of affirmation, applause, and adulation (Buss & Chiodo, 1991; Morf & Rhodewalt, 2001; Wallace & Baumeister, 2002) and will do anything to be in the limelight (Morf & Rhodewalt, 2001). Narcissists view themselves positively in agentic domains such as extraversion. Extraverts are described as assertive, active, energetic, upbeat, talkative, and optimistic individuals (Costa & McCrae, 1992). This latter

characteristic allows them to emerge as group leaders (Judge et al., 2002a). Extraverts are interested in interacting with others (Serban et al., 2015) and tend to be more engaged with stakeholders when they hold positions of leadership (Ensari, Riggio, Christian, & Carslaw, 2011). What emerges from the preceding discussion is that narcissists actively operate in their social environments to construct and maintain their selves (Morf, 2006; Morf & Rhodewalt, 2001). For this reason, Morf and Rhodewalt (2001) view narcissism as a "form of social intelligence" in that narcissists make optimal use of situational contingencies to move toward their personal goals.

Maintaining grandiose self-views is an overarching goal for narcissists (Back et al., 2013; Morf et al., 2011). To achieve this objective, narcissists employ two separate social strategies: gaining attention and admiration by means of self-promotion (assertive self-enhancement) and preventing social failure by means of self-defense (antagonistic self-protection) (Back et al., 2013). In particular, Morf and Rhodewalt (2001) stress that narcissists are more likely to self-regulate with a promotion (i.e., self-enhancement) than a prevention focus. Morf et al. (2011) go so far as to say that "Self-enhancement is the trademark of narcissism" (399). Wallace and Baumeister (2002) argue that narcissists are obsessed with self-enhancement and add that narcissists are "aware that some performance tasks offer more potential for self-enhancement than others." (820). The authors identify three factors for determining whether a performance is self-enhancing for the performer: (1) the quality of the performance (i.e., self-enhancement is achieved by performing at a high level); (2) the audience characteristics (i.e., a performance is more self-enhancing when it is public and when it is witnessed by people whose opinions are valued by the performer); and (3) the diagnosticity of the performance task (i.e., a performance is self-enhancing when it involves a special achievement).

In the organizational context, researchers show that narcissistic CEOs use their organizations to meet their need for praise and admiration by favoring extraordinary or bold and daring actions, which are highly visible for the audience. For instance, Chatterjee and Hambrick (2007) show that CEO narcissism is positively related to the number and size of corporate acquisitions. They suggest that narcissistic CEOs are more likely to engage in empire building through M&A activity to attract attention. Gerstner et al. (2013)

find evidence suggesting that narcissistic CEO are more likely to adopt discontinuous biotechnologies and that they are more likely to increase their biotech investments when they anticipate an audience admiration. Olsen et al. (2014) suggest that narcissistic CEOs are more likely to use published profit results such as earnings-per-share as means to satisfy their need for affirmation and adulation. They argue that the reason behind such decision is that the audience (i.e., shareholders, financial analysts, and the media) place great emphasis on earnings-per-share. They find that CEO narcissism is positively associated with earnings-per-share, which supports their assumption that narcissistic CEOs can use accounting performance measures to receive credit, praise, attention, and applause. Petrenko et al. (2016) show that narcissistic CEOs are more likely to enhance firms' CSR performance to satisfy their need for adulation, media attention, and praise. More recently, Ham et al. (2018) show that narcissistic CEOs are more likely to pursue investments that generate higher levels of exposure and more opportunities for self-enhancement such as research and development expenditures and merger and acquisition expenditures. Taken together, these results show that narcissistic CEOs are more likely to pursue investments and strategies that will capture the audience's attention and admiration. In this study, we extend prior work on the effects of CEO narcissism on corporate outcomes by examining whether there is a positive relationship between CEO narcissism and the extent of environmental and social disclosures.

Under the logic of upper echelons theory, managers inject their personal biases into their analyses and their choices (for a review, see Finkelstein et al., 2009), particularly in situations where managers have great discretion (Hambrick & Finkelstein, 1987b; Hiller & Hambrick, 2005) such as when they provide financial and non-financial disclosures. In this context, it should be clarified that the disclosure process is under the control of disclosure committees, which comprise high-level officers including the investor relations officer, the chief financial officer (CFO), the CEO, and general counsel (Williams, 2005, 2008). However, most research studies focus on the chief executive officer (CEO) (Abernethy & Wallis, 2019; Crossland, Jinyong, Hiller, & Hambrick, 2014; Ho, Li, Tam, & Zhang, 2015; Plöckinger et al., 2016; Yuan et al., 2019). This focus on CEOs is due in particular to their central role in shaping the ethical climate of the company (Sims & Brinkmann, 2003; Zahra, Priem, & Rasheed, 2005). The CEO is considered as

the most powerful member in the organization (Daily & Johnson, 1997: 97), "the corporate leader" (Norburn, 1989: 2), the person who "set the tone for the entire corporation" (Wheelen & Hunger, 1990: 69).

Researchers suggest that CEOs are more likely to control all the company's communication including conference calls, and press releases, compensation packages (Chatterjee & Hambrick, 2007), interviews with the media (Amernic & Craig, 2007; Beelitz & Merkl-Davies, 2012), and CSR reports (Ferns et al., 2008; Lewis et al., 2014). As such, CEOs bear primary responsibility not only for the company's financial statements and sign off these reports to the shareholders (Rijsenbilt & Commandeur, 2013), but also for financial misreporting (Sims & Brinkmann, 2003). Indeed, financial disclosure offers CEOs ample opportunity to influence the choice of accounting policies and practices; to engage in "creative accounting" and to inflate reported financial results such as net income, earnings-per-share (EPS), and the rate of return on investment (ROI) to enhance their ego and self-esteem (Amernic & Craig, 2010). Several accounting studies provide strong evidence that CEO narcissism influence corporate financial reporting practices (Capalbo et al., 2018; Ham et al., 2017; Majors, 2016; Olsen et al., 2014; Olsen & Stekelberg, 2016; Rijsenbilt & Commandeur, 2013). For instance, in the context of mandatory disclosure, Rijsenbilt and Commandeur (2013) show that narcissistic CEOs are more likely to publish fraudulent financial statements. They suggest that narcissistic CEOs tend to commit fraud because they conceive financial statement as a tool for satisfying both their needs for reaffirming their superiority and their needs for frequent praise and admiration. Rijsenbilt and Commandeur (2013) provide evidence on the dark side of CEO narcissism. In this study, we focus on environmental and social disclosures, that is, the voluntary disclosure of non-financial information. We suggest that, given that highly narcissistic CEOs are especially zealous in maintaining and enhancing their grandiose self-views and reputation (Morf et al., 2011; Morf & Rhodewalt, 2001), they are more likely to provide more extensive environmental and social disclosures. In the following, we develop arguments for the positive effect of CEO narcissism on the extent of environmental and social disclosures. We propose that providing environmental and social disclosures can be considered as a high self-enhancement opportunity for narcissistic CEOs to the extent that more extensive environmental and social disclosures

will be interpreted as an indication that the CEO has impressively high level of transparency.

We believe that providing more extensive environmental and social disclosures meets the three factors outlined by Wallace and Baumeister (2002) to find out if a performance is self-enhancing for a narcissistic CEO: (1) the quality of the performance; (2) audience characteristics; and (3) the diagnosticity of the performance task. First, providing more extensive environmental and social disclosures is a performance of high quality for CEOs. Given that companies operate within society on which they depend for vital resources, they must respect its norms and rules (Brennan et al., 2013) to get their legitimacy in the sense of a social "license to operate" (Deegan, 2002) to successfully conduct business. As such, corporate managers are accountable to firm shareholders and other stakeholders for their decisions and actions (Stanton & Stanton, 2002). Corporate disclosure, particularly environmental and social disclosures, serves as an accountability mechanism (Fuhrmann et al., 2017) that convey a company's commitment to good corporate citizenship and socially responsible conduct (Ferns et al., 2008). In this context, the status, the credibility, and the transparency of the CEO is crucial in building public trust (Dillard, 2008; Ferns et al., 2008; Williams, 2008). Consequently, providing more extensive social and environmental disclosures is a high-quality performance that enables CEOs gain glory.

Second, since CSR disclosure is "the process of communicating the social and environmental effects of organisations' actions within society and to society at large" (Gray, Owen, & Maunders, 1987: 76), it provides a public arena for CEOs to state and reassert their commitments for good corporate citizenship and socially responsible conduct (Ferns et al., 2008). Moreover, while financial statements aim to provide useful and important financial information to shareholders and investors (Fombrun & Shanley, 1990; Hahn & Kühnen, 2013; Haller, van Staden, & Landis, 2018), environmental and social disclosures aim to cater for the information needs of an audience wider and more diverse than shareholders such as customers, suppliers, employees, shareholders, creditors, media, and NGOs (Fuhrmann et al., 2017; Hahn & Kühnen, 2013; Odriozola & Baraibar-Diez, 2017) by providing a huge spectrum of–both qualitative and

quantitative–financial, social, and environmental information (Ioannou & Serafeim, 2017; Odriozola & Baraibar-Diez, 2017). As such, providing environmental and social disclosures is a highly visible performance for narcissistic CEOs. In addition, environmental and social disclosures is subject to intense scrutiny by stakeholders with a wide variety of interests. CEOs are sensitive to the expectations and opinions of stakeholders and react to their concerns by providing explanations and justifications for corporate conduct and engaging in dialogue. Researchers show that CEOs value the opinions of stakeholders (Beelitz & Merkl-Davies, 2012; Bozzolan, Cho, & Michelon, 2015; Brennan et al., 2013). For instance, using a case study in the form of a conflict between firms and a powerful stakeholder, Greenpeace, Brennan et al. (2013) provide evidence of dialogism, which suggests that environmental and social disclosures is an interactive process between managers and stakeholders. Consequently, environmental and social disclosures meet the audience characteristics of self-enhancing performance in that environmental and social disclosures are highly visible and are witnessed by people, stakeholders, whose opinions are valued by CEOs.

Finally, Wallace and Baumeister (2002) stress that challenging tasks offer narcissists more potential for self-enhancement than unchallenging task. We believe that providing environmental and social disclosures is a challenging task for CEOs for two main reasons. First, two main features characterize environmental and social disclosures, that is, companies have total control over both the medium of communication of CSR information and the aspects of the message such as content detail and specificity (Ferns et al., 2008). Managers disclose CSR information to stakeholders through a diverse range of channels including CSR reports, corporate websites, media releases, CSR advertising (Perks, Farache, Shukla, & Berry, 2013), and social media. Moreover, unlike financial reporting, CSR disclosure is characterized by an absence of standards for recording and reporting CSR information, particularly regarding the quantity and type of the disclosed information (Cerin, 2002). This lack of standards may adversely affect the clarity, consistency, and comparability of CSR information and led to confusion in the interpretation of the content of CSR reports (Margolis & Walsh, 2003). The second challenge that faces CEOs when providing environmental and socials disclosures involves issues related to stakeholders. First, environmental and social disclosures are subject to

intense scrutiny by stakeholders with wide variety of interests. For instance, employees seek job security and satisfaction, nongovernmental organizations (NGOs) seek influence, and investors seek economic benefits or responsible investment (Brennan et al., 2013; Johansen & Nielsen, 2011). Stakeholders are not a homogenous group. Different stakeholders have different information needs and different reporting requirements. Stakeholder groups have specific relationships with companies (Brennan et al., 2013). Second, stakeholders have increased their understanding of business practice. They are likely to be a well-informed professional with independent credibility and whose opinions regarding the quality of CSR reports would significantly influence public opinion (Ferns et al., 2008). As the preceding discussion has illustrated, providing extensive environmental and social disclosures is a performance task that offer narcissistic CEOs an opportunity for self-enhancement and, consequently, would satisfy their needs for admiration and impress others.

In addition, narcissistic CEOs are also more likely to provide more extensive environmental and social disclosures with the aim of building, maintaining, and enhancing their personal reputation. Psychology research suggests that individuals with high self-esteem are more oriented toward self-enhancement and are more likely to look for highly visible performance settings that may offer them great number of opportunities for achieving a favorable reputation (Baumeister et al., 1989; Tice, 2013). Relatedly, Judge et al. (2009) stress that narcissistic leaders are more likely to make decisions based on how those decisions will reflect on their reputations. On the other hand, prior professional and scholarly accounting literature show that managers provide greater disclosure with the aim of promoting their reputation. Healy and Palepu (2001) propose that "managers have incentives to make self-serving voluntary disclosures." (425). Among these incentives, building and maintaining a reputation for transparency is a prominent one. Graham et al. (2005) report that managers consider promoting a reputation for transparent reporting as a critical driver of voluntary disclosure. In the same vein, the reputational benefits of CSR disclosure are highlighted by two KPMG's surveys (2011, 2013) where respondents put particular stress on the positive reputation effects of CSR disclosure. The association between CSR disclosure and corporate reputation has been empirically examined. Studies show that, in general and in different contexts, CSR

disclosure quantity is positively associated with corporate reputation (Bayoud, Kavanagh, & Slaughter, 2012; Castelo & Lima, 2009; Michelon, 2011; Othman, Darus, & Arshad, 2011; Pérez et al., 2015; Shauki, 2011). The results of these studies can be extended by analogy to the CEO reputation as a corporate reputation is tightly linked to the reputation of the CEO (Ferns et al., 2008; Graffin, Pfarrer, & Hill, 2012). The CSR literature shows that managers engage in CSR activities with the aim, among other things, of enhancing their personal reputation (Barnea & Rubin, 2010; Jiraporn, Liu, & Kim, 2012). Jiraporn and Chintrakarn (2013) suggest that CEOs view CSR opportunistically to gain media exposure and enhance their personal reputation.

On the basis of the foregoing, it is likely that more extensive environmental and social disclosures offer a great opportunity to narcissistic CEOs for satisfying their needs for being admired and impressing others and for achieving a favorable reputation.

Hypothesis 1. CEO narcissism will be positively associated with the extent of environmental and social disclosures.

2.2.2 Moderating Role of Corporate Governance Practices

2.2.2.1 Understanding Corporate Governance

Research on corporate governance has proliferated in recent decades, generating an extensive literature on the legal, financial, and strategic control of organizations. But, despite this widespread interest, it must be said that there is still no consensus on the definition of corporate governance. Keasey et al. and Aguilera and Jakson provide the two most frequently definitions for corporate governance cited in the literature. Keasy, Thompson, and Wright (1997) view corporate governance as "the process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders" (288). According to Aguilera and Jackson (2010), corporate governance refers to "the study of power and influence over decision-making within the corporation." (487). However, researchers in economics or finance and law seem to have a different understanding of corporate governance. For instance, from the economics and finance perspectives,

Shleifer and Vishny (1997) suggest that "corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (737). From a corporate law perspective, corporate governance refers to "the monitoring and control over how the firm's resources are allocated, and how relations within the firm are structured and managed" (McCahery & Vermeulen, 2006: 1).

The corporate governance literature distinguishes between two competing and antagonist views of corporate governance: the shareholder-centered model versus the stakeholder-centered model (Aguilera & Jackson, 2003, 2010). The shareholder-centered model[23] of corporate governance is embedded within the framework of agency theory (Jensen & Meckling, 1976a; Williamson, 1975), which views the modern corporations as "a nexus of contracts between principals (risk-bearing shareholders) and agents (managers with specialized expertise)." (Aguilera & Jackson, 2003: 448). Taking into account the diffuse security ownership and the separation of security ownership and control characterizing modern corporations (Berle & Means, 1932; Fama, 1980; Hermalin & Weisbach, 1998), the shareholder-centered model is designed to promote the interests of a shareholder whose main aim is to earn higher returns on his investment (Shleifer & Vishny, 1997). On the other hand, the stakeholder-centered model[24] of corporate governance is embedded within the framework of stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Jones, 1995), which views the firm as a multilateral set of relations among stakeholders and not only a bilateral relationship between managers and shareholders (Prior, Surroca, & Tribó, 2008). Consequently, managers' decisions affect not only firm shareholders, but also firm stakeholders including governments, competitors, suppliers, consumers, and environmental advocates, the media, and others (Freeman, 1984; Hill & Jones, 1992; Jones, 1995; McWilliams & Siegel, 2001). From this perspective, corporate governance

[23] The shareholder-centered model is also called the outsider, common law, market-oriented, Anglo-American, or liberal model (Aguilera & Jackson, 2003) and is prevalent in the Anglo-Saxon legal tradition countries such as the U.S., the UK, Canada, and Australia (García-Castro et al., 2008).

[24] The stakeholder-centered model is also called continental European model, the insider, civil law, blockholder, bank-oriented, stakeholder-centered, coordinated, or "Rhineland" model (Aguilera & Jackson, 2003) and is prevalent in code law tradition countries such as Germany and Japan (García-Castro et al., 2008).

is conceptualized as "the relationships among stakeholders in the process of decision-making and control over firm resources." (Aguilera & Jackson, 2003: 450).

Several mechanisms are associated with the governance of public corporations (Cremers & Nair, 2005). These mechanisms include economic and legal institutions (Shleifer & Vishny, 1997) aiming to control and discipline top management and to protect the interests of shareholders and other stakeholders (Fuller & Jensen, 2002; Hill & Jones, 1992; Jensen, 2002; Jo & Harjoto, 2012; Jones, 1995; Rao, Tilt, & Lester, 2012; Shleifer & Vishny, 1997). These mechanisms work together in a system and can be internal (e.g., executive compensation, stock options, board of directors, charter provisions, block holders, and inside ownership) as well as external (e.g., debt markets, executive market, market for corporate control, and takeovers) (Cremers & Nair, 2005). Of all the internal and external governance mechanisms, board of directors is considered as the primary internal governance mechanism (Cremers & Nair, 2005; Fama, 1980; Fama & Jensen, 1983; Mintzberg, 1983). The literature on board of directors suggests that the board of directors plays monitoring, service, and legitimacy roles (Johnson, Daily, & Ellstrand, 1996). To fulfill its roles, a board of directors must be effective. Researchers argue that the effectiveness of the board of directors is conditional upon its composition and its leadership structure (Jensen, 1993).

2.2.2.2 Corporate Governance and Financial Reporting

Prior research has shown that the board of directors plays a central role at the strategic, the operational, and financial levels (Jo & Harjoto, 2012) including CSR involvement (Rao & Tilt, 2016) and disclosure practices (Liao, Lin, & Zhang, 2016). That is, effective board of directors is likely to enhance corporate disclosure and reduce information asymmetry (Donnelly & Mulcahy, 2008; Karamanou & Vafeas, 2005). In this respect, several studies have examined the association between the characteristics of the board of directors and financial reporting, but results are equivocal (Chen & Jaggi, 2000; Eng & Mak, 2003; Forker, 1992; Gul & Leung, 2004; Williamson, 1985). For instance, Forker (1992) shows a positive association between the existence of an audit committee and the quality of share option disclosure. He also finds that CEO duality impacts negatively the quality of share option disclosure. Chen and Jaggi (2000) show a positive association

between board independence and the comprehensiveness of information in mandatory disclosure. The same pattern of results was shown by Donnelly and Mulcahy (2008) in the context of voluntary disclosure. On the contrary, Eng and Mak (2003) document that board independence is negatively associated with voluntary disclosure in their Singaporean sample. On the other hand, Gul and Leung (2004) find a negative association between CEO duality and voluntary disclosure. They also find that the negative association between CEO duality and voluntary disclosure is weaker for firms with greater board independence. Similarly, Donnelly and Mulcahy (2008) document that firms led by a non-executive chairman make greater voluntary disclosure.

Researchers have identified several factors that might explain the inconclusive results about the effects of the characteristics of the board of directors on corporate disclosure. For instance, Michelon and Parbonetti (2012) explain the mixed results by "the differences in the legal environments of companies, the differences in the disclosure indexes used and the topics covered." (480). Other authors suggest that the association between the characteristics of the board of directors and corporate disclosure is likely to be affected by the institutional macro-context (i.e., public pressure, legal enforcement, and legal system) in which a firm operates (Prado-Lorenzo & Garcia-Sanchez, 2010), the ownership structure (i.e., family ownership vs. non-family ownership) (Chau & Gray, 2010), the firm size and its industrial membership (Prado-Lorenzo & Garcia-Sanchez, 2010; Rankin, Windsor, & Wahyuni, 2011), the country of origin (Halme & Huse, 1997; Prado-Lorenzo & Garcia-Sanchez, 2010), and a firm's foreign listing (Huafang & Jianguo, 2007). The same pattern of results was shown by the social accounting literature.

2.2.2.3 Corporate Governance and CSR Disclosure

The literature on the effects of corporate governance on CSR disclosure has provided equivocal results. In what follows, we review the research focusing the effects of board structure and demographics (i.e., board independence and the number of board meetings) and CEO duality on the extent of CSR disclosure.

Board of Directors Independence and the Extent of CSR Disclosure

The corporate governance literature suggests that the presence of independent directors is more likely to produce positive outcomes such as ensuring that managers act in the best

interests of firm shareholders and other stakeholders (Haniffa & Cooke, 2005; Tricker, 1984), advising on the public presentation of firms' activities and performance (Haniffa & Cooke, 2005; Tricker, 1984), inciting firms to engage in CSR activities (Zahra & Stanton, 1988), and increasing corporate transparency (Boone, Field, Karpoff, & Raheja, 2007; Cai, Liu, Qian, & Yu, 2015; Donnelly & Mulcahy, 2008; Patelli & Prencipe, 2007). In the context of CSR disclosure, Tricker (1984) and Haniffa and Cooke (2005) suggest that independent directors tend to put pressure on companies to provide CSR disclosure.

However, the existing empirical evidence on the influence of board independence on the extent of CSR disclosure is mixed. For instance, in the Malaysian context, Haniffa and Cooke (2005) find that board independence is negatively related with the level of CSR disclosure. They explain this result by the lack of experience and knowledge of non-executive directors and their indifference towards societal concerns. Prado-Lorenzo and Garcia-Sanchez (2010) find no evidence on the effect of board independence on the extent of disclosure of greenhouse gas emissions. This behavior pattern was observed by Michelon and Parbonetti (2012) and Liao, Luo, and Tang (2015) when investigating the association between board independence and the extent CSR disclosure and the disclosure of greenhouse gas emissions, respectively. On the other hand, several studies based on different countries find a positive association between independent directors and CSR disclosure. Using a sample of commercial banks in Bangladesh, Khan (2010) shows that board independence is positively related with more extensive CSR disclosure. In Australia, Rao et al. (2012) show that board independence is positively associated with the extent environmental disclosure. Khan, Muttakin, and Siddiqui (2013) find that board independence is positively related with the extent of CSR disclosure for a sample of 116 manufacturing companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh. Using a sample of Italian listed firms, Jaggi, Allini, Macchioni, and Zagaria (2018) show that board independence is positively related with greater carbon disclosure. In Latin America, Husted and de Sousa-Filho (2019) show that a positive relationship between board independence and the extent of CSR disclosure. In sum, we can see that the general trend is that independent directors are more likely to encourage managers to act socially and provide more extensive CSR disclosure. Conditional on accepting Hypothesis 1, we

suggest that independent directors are more likely to incentivize narcissistic CEO to disclose more environmental and social information. The hypothesis is stated as follows:

> **Hypothesis 2.** Board of directors' independence will amplify the positive relationship between CEO narcissism and the extent of environmental and social disclosures.

Board of Directors' Meetings and the Extent of CSR Disclosure

The corporate governance literature suggests that the number of board meetings can be considered as a measure of diligence and, therefore, board effectiveness to the extent that frequent board meetings would facilitate greater information sharing among directors (Laksmana, 2008; Lee, Mande, & Ortman, 2004; Vafeas, 1999). Empirical evidence on the effect of board meeting frequency on corporate disclosure is limited. For instance, Carcello, Hermanson, Neal, and Riley (2002) show that the frequency of board meetings is positively related with external audit fees suggesting that more audit work is linked to greater assurance. Xie, Davidson, and DaDalt (2003) provide evidence that the frequency of board meetings affects positively the quality of financial reporting. Specifically, the authors show that board meeting frequency is negatively associated with discretionary accruals. In Australia, Kent and Stewart (2008) find that the frequency of board meetings is positively related to the extent of disclosure about the expected impact of the transition to the Australian equivalents to IFRSs, suggesting that a diligent board is more likely to make increased voluntary disclosure. Laksmana (2008) shows that board of directors meeting frequency is positively associated with the extent of disclosure of executive compensation practices, suggesting that when directors have more time together as a group, they are more likely to discuss various aspects of compensation disclosure. However, research on the impact of board meeting frequency on the extent of CSR disclosure is still scarce. To date, there is only one study examining the influence of board meeting frequency on the extent of CSR disclosure. Using a sample of 100 U.S. firms from the Fortune 500, Giannarakis (2014a) does not find any evidence that companies with more frequent board meetings tend to disclose more CSR information. This lack of evidence can be explained by the small size of the sample. Despite the scarcity of evidence in the context of CSR disclosure, we posit that board of directors meeting frequency will

affect positively the relationship between CEO narcissism and the extent of environmental and social disclosures. Thus:

> **Hypothesis 3.** Board meeting frequency will amplify the positive relationship between CEO narcissism and the extent of environmental and social disclosures.

CEO Duality and the Extent of CSR Disclosure

CEO duality refers to a situation where the same individual serves as board chair and CEO. There is a consensus in the corporate governance literature that CEO duality may be detrimental to the interest of shareholders (Forker, 1992) due to the absence of separation between decision control and decision management (Fama & Jensen, 1983). The logic is that CEO duality is more likely to constraint board independence because boards need the power to act independently from management to make effective decisions (Laksmana, 2008).

CEO duality is one aspect of corporate governance structure that has generated some empirical research, however, as in the other topics of governance mechanisms, no conclusion seems to be very strongly supported. Gul and Leung (2004) show that CEO duality affects negatively the extent of voluntary disclosure. Similarly, Giannarakis (2014a) shows that CEO duality is negatively associated with the extent of CSR disclosure for a sample of U.S. firms from the Fortune 500 list. In Latin America, Husted and de Sousa-Filho (2019) find that CEO duality affects negatively the extent of CSR disclosure. Using a sample of firms listed on the FTSE Global Equity Index Series, Prado-Lorenzo and Garcia-Sanchez (2010) document that CEO duality is positively associated with the level of disclosure of greenhouse gas emissions. On the other hand, several studies do not find any relationship between CEO duality and the extent of CSR disclosure (Giannarakis, Konteos, & Sariannidis, 2014; Haniffa & Cooke, 2002; Khan et al., 2013; Michelon & Parbonetti, 2012; Rupley, Brown, & Marshall, 2012). While most researchers appear to agree that CEO duality has a negative effect on the extent of CSR disclosure, we suggest that the effect is the exact opposite when a narcissistic CEO also holds the board chairperson position for two main reasons. First, being chair would enable CEOs to influence directors' appointments in their favor (Haniffa & Cooke, 2002) and second

narcissistic CEOs are more likely to favor new directors who are similar to them in narcissistic personality (Zhu & Chen, 2015). Consequently, conditional on accepting Hypothesis 1, we predict that when a narcissistic CEO also holds the board chairperson position, he will have more room for providing more extensive environmental and social disclosures. The hypothesis is stated as follows:

Hypothesis 4. CEO duality will amplify the positive relationship between CEO narcissism and the extent of environmental and social disclosures.

Chapter 3 Research Design

This chapter discusses the research method, including sample selection, data sources used, measurement of the variables, and results analysis.

3.1 Data and Method

3.1.1 Sample

We generate our data from several data sources—Bloomberg, Compustat's ExecuComp, Marquis Who's Who, Institutional Brokers Estimate System (I/B/E/S), Worldscop, BoardEx, Thomson One Banker (SDC), and Compustat Global. The extent of CSR disclosure data come from the Bloomberg database (Baldini, Maso, Liberatore, Mazzi, & Terzani, 2018; Benlemlih, Shaukat, Qiu, & Trojanowski, 2018; Bernardi & Stark, 2018; Eccles, Ioannou, & Serafeim, 2014; Eccles, Serafeim, & Krzus, 2011; Gutsche, Schulz, & Gratwohl, 2017; Ioannou & Serafeim, 2017; Li, Gong, Zhang, & Koh, 2018; Qiu, Shaukat, & Tharyan, 2016; Utz & Wimmer, 2014). The CEO narcissism and characteristics data were collected from various databases including Compustat's ExecuComp, Marquis Who's Who, and Thomson One Banker (SDC). The data on board composition and activity were collected from Bloomberg database. The financial and corporate data come from Compustat Global database.

Our starting population included all S&P 1500 firms between the years 2008 and 2017 inclusive. We dropped observations if data were missing. Following prior studies on the effect of CEO narcissism on corporate outcomes (Chatterjee & Hambrick, 2007, 2011; Ingersoll, Glass, Cook, & Olsen, 2019; Marquez-Illescas et al., 2019), we identified the CEO for every firm-year in our time frame. Then, we included only CEOs who had four or more years of tenure in their position with the given firm. Year one is omitted because of abnormalities that may raise with succession. The components of CEO narcissism measure are averaged between years two and three to construct the overall narcissism score. We assume that CEO narcissism is constant from year

four of CEO tenure. After imposing the various data restrictions, our final sample consisted of an unbalanced panel of 691 firms, 802 CEOs, and 1,877 firm-year observations.

Table 1 shows the distribution of the full sample by year and industry. Firms are classified into twelve industries based on their Fama French Industry code: (1) Consumer Non durables; (2) Consumer Durables; (3) Manufacturing; (4) Energy; (5) Chemicals; (6) Business Equipment; (7) Telecommunication; (8) Utilities; (9) Wholesale, Retail, and Some Services; (10) Healthcare, Medical Equipment, and Drugs; (11) Finance; and (12) Others (e.g., Construction, Building Materials, Transportation, Hotels, Bus and Entertainment). Most of the firms in our sample belong to the Business Equipment (16.36%) and Manufacturing (14.54%) industries, for a cumulative percentage of 30.9% of the total number of companies. However, other industries such as Telecommunication (1.55%), Consumer Durables (2.61%), and Healthcare, Medical Equipment, and Drugs (3.73%) are less frequent. From 2008 to 2017, the number of firms ranges from 39 in 2008 to 460 in 2017, suggesting growing importance of providing environmental and social disclosures. As such, we include industry dummies in our empirical analysis.

3.1.2 Dependent Variable

To assess the extent of CSR disclosure, prior empirical studies have developed several approaches. For instance, some studies have developed CSR disclosure indexes by using a content-analysis approach to count the amount of information provided by companies on various media (Clarkson et al., 2008; Cormier & Magnan, 2003; Prado-Lorenzo et al., 2009; Prado-Lorenzo et al., 2009). The use of such indexes has been criticized for different biases such as the use of subjective judgments to a greater or lesser extent. To overcome these limits, researchers has begun to use CSR disclosure scores developed by proprietary databases. Among these databases, Bloomberg provides environmental, social, and governance (ESG) disclosure score, which is based on the extent of a company's ESG disclosure. This disclosure score is increasingly being used by researchers (Baldini et al., 2018; Benlemlih, Shaukat, Qiu, & Trojanowski, 2018; Eccles, Ioannou, & Serafeim, 2014; Li et al., 2018; Utz & Wimmer, 2014).

To develop the ESG disclosure score, Bloomberg uses data that are compiled from all available firm information, including websites, CSR reports, annual reports, and Bloomberg surveys. Specifically, the ESG score is based on 100 out of 219 raw data points that Bloomberg collects

based mainly on GRI requirements, covering three aspects: environment, social activities, and governance. (1) The environmental aspect includes data, such as water consumption, waste total generation, total greenhouse gases and energy use; (2) the social aspect concerns data, such as employee turnover, workforce accidents, total fatalities and women in the workforce; and (3) the governmental aspect includes data, such as board meeting attendance and independent directors. The disclosure score ranges from 0.1 for companies that disclose a minimum number of ESG data to 100 for those that disclose every data point. The weight attached to every data point is allocated according to its importance. In addition, the ESG disclosure score is also tailored to different industries. In so doing, Bloomberg evaluates companies' ESG disclosures in terms of the data that are relevant to their industry sectors (Baldini et al., 2018; Giannarakis, 2014b; Qiu, Shaukat, & Tharyan, 2016).

In this study, we use the environmental and social disclosures scores[25] developed by Bloomberg to investigate the effect of CEO narcissism on the extent of environmental and social disclosures. The Bloomberg environmental score covers a broad range of information that can be classified into one of two broad categories: "hard" items and "soft" items. The "hard" items account for 80% of the environmental disclosure items and include quantifiable data such as Carbon/GHG emissions, energy/water consumption, waste recycled, investments in sustainability, and ISO certification, among others. The remaining 20% are "soft" items. They include, inter alia, firms' environmental policies and initiatives like waste reduction policy, energy efficiency policy, and green building policy. The Bloomberg social disclosure score covers a wide variety of matters including employee relations (i.e., employee health, welfare, training, and development) as well as issues of equality and diversity in employment, community spending, and human rights. Similar to environmental disclosure score items, social disclosure score items can be classified into "hard" items and "soft" items on the basis of 70% and 30% respectively (Benlemlih et al., 2018). Appendix 1 provides a complete list of the data points covered under the environmental and social categories.

[25] Bloomberg provides four disclosure scores: ESG disclosure score that focuses on a company's ESG information, environmental disclosure score that focuses on a company's environmental information, social disclosure score that focuses on a company's social information, and governance disclosure score that focuses on a company's governance information.

Following Baldini et al. (2018), we do not use the environmental and social disclosure scores provided by Bloomberg in the univariate and multivariate analysis. Instead, we construct ranks that are transformed into percentiles. This choice has been made to alleviate some of the statistical issues characterizing disclosure scores. Researchers point out that disclosure scores are generally not distribution free (McCabe, 1989), expose high kurtosis and skewness (Tsalavoutas, 2011), and are sensitive to outliers (Hail, 2002). Specifically, we transform the environmental disclosure score by calculating percentile rank (Erank) (Baldini et al., 2018; Elzahar, Hussainey, Mazzi, & Tsalavoutas, 2015; Glaum, Schmidt, Street, & Vogel, 2013; Nikolaev & van Lent, 2005) using dense rankings in the following equation:

$$\text{Erank}_{i,t} = \frac{Rank_{i,t} - 1}{MaxDense_t - 1} \qquad (1)$$

where $\text{Erank}_{i,t}$ is the percentile rank of firm *i* during year *t*, $\text{Rank}_{i,t}$ is the rank or position of firm *i* during year *t*, and MaxDense_t is the sample size minus the number of ties for year *t*. The environmental disclosure score is ranked in ascending order so that the newly created variable increases with the environmental disclosure value (Baldini et al., 2018; Glaum et al., 2013; Hail, 2002). We replicate the same procedure for the social (Srank) score.

3.1.3 Independent variable: CEO Narcissism

3.1.3.1 CEO Narcissism components

The most effective way to measure CEO narcissism is a psychometric self-report measure, which could only be gathered when a CEO completes an assessment. The Narcissistic Personality Inventory or NPI (Raskin & Terry, 1988) is the most widely used measure of narcissism; however, obtaining access to CEOs willing to fill out such obstructive surveys is difficult. This would explain why researchers seek to use unobtrusive measures of CEO narcissism. In their 2007 paper entitled "It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance", Chatterjee and Hambrick attempt to overcome the challenge of CEO access and propose a novel and powerful approach to measure CEO narcissism. Specifically, the authors have developed an unobtrusive measure of narcissism—an index of CEO narcissism—by combining content analysis methods with archival financial data to create five indicators of narcissism: the prominence of the CEO's photograph in annual reports, the prominence the CEO's

name in company press releases, the CEO's use of first-person singular pronouns in interviews, the CEO's cash pay relative to the next highest-paid executive, and the CEO's noncash pay relative to the next highest-paid executive. Over the last decade, the publication of Chatterjee and Hambrick's (2007) work have paved the way for research examining how CEO narcissism influences corporate outcomes in management (Buyl, Boone, & Wade, 2019; Chatterjee & Hambrick, 2011; Engelen, Neumann, & Schmidt, 2016; Gerstner et al., 2013), accounting (Buchholz et al., 2019; Capalbo et al., 2018; Judd, Olsen, & Stekelberg, 2017; Marquez-Illescas et al., 2019; Olsen et al., 2014; Olsen & Stekelberg, 2016; Rijsenbilt & Commandeur, 2013; Young et al., 2016), and finance (Aktas et al., 2016; Patel & Cooper, 2014). The growing interest in Chatterjee and Hambrick's CEO narcissism index is attributable in particular to the use of unobtrusive data that are publicly available for a large sample of CEOs across multiple industries (Cragun, Olsen, & Wright, 2019).

Subsequently, researchers using Chatterjee and Hambrick's (2007) approach have opted either for the use of the five indicators as Chatterjee and Hambrick (2007) for computing CEO narcissism measure (Patel & Cooper, 2014) or for the use of other variants. Hence, some researchers have adopted a shorter version of the narcissism measure by using only some of the five indicators (Aktas et al., 2016; Chatterjee & Hambrick, 2011; Engelen et al., 2016; Olsen et al., 2014; Olsen & Stekelberg, 2016), while others have opted for an enriched version of the CEO narcissism index by using a larger set of variables (Buchholz et al., 2019; Rijsenbilt & Commandeur, 2013). Other studies have employed new approaches for measuring CEO narcissism. For instance, Ham et al. (2017) and Ham et al. (2018) use the size of CEOs' signatures in SEC filings as a measure of CEO narcissism. Petrenko et al. (2016) rely on psychometric third party assessments using CEO's video to measure CEO narcissism. Using the Bloomberg distributed transcripts of earnings releases, Aktas et al. (2016) and Capalbo et al. (2018) compute CEO narcissism scores by obtaining the ratio of first-person singular pronouns (I, me, my, mine, myself) to total first-person pronouns (I, me, my, mine, myself, we, us, our, ours, ourselves) in CEO responses to analysts' questions.

In this study, we examine the relation between CEO narcissism and the extent of environmental and social disclosures. We empirically measure CEO narcissism using an unobtrusive proxy employed in prior accounting literature (Buchholz et al., 2019; Rijsenbilt &

Commandeur, 2013). We use an enriched version of Chatterjee and Hambrick's (2007) measure to capture the broadness of the concept of narcissism. Rijsenbilt and Commandeur (2013) and Buchholz et al. (2019) use 15 indicators to develop a CEO narcissism score and show that narcissistic CEOs are more likely to engage in fraud and earnings management. Following Rijsenbilt and Commandeur (2013) and Buchholz et al. (2019), we use 10 indicators[26]: the number of words in the CEO's Marquis Who's Who biography, the number of awards in the CEO's Marquis Who's Who biography, the absolute amount of CEO's cash compensation, the absolute amount of CEO's total compensation, the ratio of cash compensation, the ratio of total compensation, the CEO's rank compensation, the average number of CEO's official titles, the value of acquisitions, and the number of acquisitions. Rijsenbilt and Commandeur (2013) propose a conceptualization of CEO narcissism where they relate four CEO determinants (i.e., CEO compensation; CEO exposure; CEO power; and CEO acquisition behavior) to Emmon's (1987) four dimensions of narcissism (i.e., Leadership/Authority; Self-absorption/Admiration; Superiority/Arrogance; Exploitativeness/Entitlement). Specifically, Rijsenbilt and Commandeur (2013) propose a "double classification" of the 15 indicators. They classify the indicators into determinants first and then they classify the indicators into Emmon's four dimensions of narcissism. The following paragraphs provide a description of each of the CEO determinants.

The first determinant, CEO Compensation[27], is an indication of a CEO's self-importance (Hayward & Hambrick, 1997) and dominance (Hambrick & D'Aveni, 1992). CEO Compensation contains five variables: cash and total compensation, cash and total compensation ratios, and CEO's rank by salary and bonus. Cash compensation consists of salary and bonus and total compensation comprises cash compensation plus all other forms of dollar-denominated compensation. Following Rijsenbilt and Commandeur (2013), we correct the absolute amounts of compensation for the average increase in CEO compensation to allow comparison of compensations among CEOs, independent of the years they were active. Relative CEO cash and total compensation are derived from the ratios of the CEO's cash and total compensation to those

[26] Rijsenbilt and Commandeur (2013) and Buchholz et al. (2019) include five additional components in their narcissism measure: the number of press articles citing the CEO, the size of the CEO's photograph in the annual report, the CEO use of corporate jet, the level of shareholders rights, and CEO duality. We opt to use CEO duality as a moderator of the relation between CEO narcissism and environmental and social disclosures. We do not include the remaining components due to data limitations.

[27] Following prior literature, we average the compensation components of our measure over the CEO's second and third year of tenure.

of the second best-paid executive. Our final measures of relative CEO cash and total compensation pay are the average of the CEO's second and third year of tenure (Marquez-Illescas et al., 2019; Olsen et al., 2014; Olsen & Stekelberg, 2016). According to Rijsenbilt and Commandeur (2013), highly narcissistic CEOs are more likely to have high compensation ratios because they feel that they are entitled to the highest compensation. Being the highest paid executive of the company is an additional indicator of narcissism (Buchholz et al., 2019; Rijsenbilt & Commandeur, 2013).

The CEO's rank is measured as the ordinal rank. A highly narcissistic CEO has rank 1 and a higher rank expressing less narcissism. CEO compensation data are collected from the Compustat's ExecuComp database. The second determinant, CEO exposure, reflects the need of narcissistic CEOs to gain reinforcement and public acknowledgement (Buchholz et al., 2019; Rijsenbilt & Commandeur, 2013). The exposure indicators are number of awards and number of words in the CEO's Marquis Who's Who biography. These two narcissism indicators are collected from the Marquis Who's Who database. The third determinant, CEO power, translates the need of narcissistic CEOs to centralize decision-making power to gain attention and overestimate their own abilities (Buchholz et al., 2019). Our measure of CEO power is the number of CEOs official titles and it is collected from ExecuComp and BoardEx databases. Fourth, given that acquisitions are highly visible, they offer narcissistic CEOs great opportunities to gain attention and prestige. In this regard, Higgs (2009) shows that highly narcissistic CEOs engage in frequent acquisition activities. The CEO acquisition behavior is an indicator of CEO narcissism tendencies. To account for this behavior, we collect the number of acquisitions and the value of the acquisitions per CEO per tenure year from the Thomson One Banker (SDC) database. Malmendier and Tate (2008) list two requirements for including an acquisition: the acquiring firm purchases more than 50% of the target shares and the deal value is at least US$10 million. The value of the acquisitions is measured by relating the deal value to the market value of the acquiring firm. The number of acquisitions and the value of the acquisitions are cumulated and divided by the years of overall tenure and set to zero if no data for acquisitions are available.

3.1.3.2 CEO Narcissism Score

Due to the broadness of the concept of narcissism, there have been several attempts to construct a narcissism score (Chatterjee & Hambrick, 2007, 2011; Emmons, 1987). Some archival narcissism studies have used principal component analysis (PCA) (Buyl et al., 2019; Marquez-Illescas et al.,

2019; Rijsenbilt & Commandeur, 2013). PCA is a well-established mathematical technique for high dimension data analysis. PCA provides a guideline for reducing a complex dataset to one of lower dimensionality to reveal any hidden, simplified structures that may underlie it (Jeong, Ziemkiewicz, Ribarsky, & Chang, 2009). Specifically, PCA achieves dimension reduction by creating new variables called principal components. Each principal component is a linear combination of the observed variables. Following the methodology of Chatterjee and Hambrick (2007, 2011), Rijsenbilt and Commandeur (2013), Buchholz et al. (2019), and Buyl et al. (2019), a PCA of the 10 indicators is performed based on the correlation matrix to develop an objective overall measure of CEO narcissism.

The individual correlations between the 10 unobtrusive indicators of CEO narcissism measure are listed in Table 2. In our sample of CEOs, the total compensation is significantly and positively associated with the number of words in the CEO's Marquis Who's Who biography (r = 0.125, p <0.01), the number of awards in the CEO's Marquis Who's Who biography (r = 0.121, p <0.01), and CEO's cash compensation (r = 531, p <0.01). We also observe that the number of words in the CEO's Marquis Who's Who biography is positively correlated to the CEO's number of awards (r = 0.151, p <0.01). CEO's relative cash pay is significantly and positively correlated to the CEO's relative total compensation (r = 0.245, p <0.01). However, as it has been documented by Rijsenbilt and Commandeur (2013), we find that CEO's compensation rank is significantly and negatively associated with the CEO's relative cash compensation (r = -0.042, p <0.10) and CEO's relative total compensation (r = -0.122, p <0.01). This result is consistent with the idea that a high relative cash (total) compensation and a low compensation rank occur when the CEO is the best-paid executive. The average number of CEO's official role titles is positively correlated to the number of words in the CEO's Marquis Who's Who biography (r = 0.084, p <0.01) and CEO's relative total compensation (r = 0.098, p <0.01) but negatively related to the CEO's number of awards (r = -0.104, p <0.01), cash compensation (r = -0.063, p <0.01), total compensation (r = -0.111, p <0.01), and CEO's rank compensation (r = -0.188, p <0.01). Finally, we observe that the value of acquisitions is significantly and positively associated with the number of acquisitions (r = 0.894, p <0.01).

Based on the work of Emmons (1987) and using the PCA, Rijsenbilt and Commandeur (2013) use 15 indicators to extract Emmons' four factors. In this study, we conduct a PCA using

9 out 10 indicators to load three principal components: (1) Self-absorption/Self-admiration, (2) Superiority/Arrogance, and (3) Exploitativeness/Entitlement. The fourth dimension, Leadership/Authority, is measured by the number of CEO titles. The first principal component, "Self-Absorption/Admiration", comprises four indicators: the number of words in the CEO's Marquis Who's Who biography, the number of awards in the CEO's Marquis Who's Who biography, the absolute amount of CEO's cash compensation, and the absolute amount of CEO's total compensation. The results show that the four indicators load in a single factor (eigenvalue>1.0), which suggests that the four indicators are all capturing the same construct (i.e., CEO's self-admiration). We use the factor loadings to create a summary measure of CEO's self-admiration. The second principal component is "Superiority/Arrogance" and shows factor loadings for the value of acquisitions and the number of acquisitions (eigenvalue> 1). The third principal component is "Exploitativeness/Entitlement" and includes three indicators: the ratio of cash compensation, the ratio of total compensation, and the CEO's rank compensation. All of the indicators load on a single factor (eigenvalue> 1). As explained above, given that a high CEO rank compensation score indicates less CEO narcissism, the CEO rank compensation variable is displayed as a negative number. Therefore, when the CEO is the best-paid executive, she/he would have both a high ratio of cash (total) compensation and a low rank compensation (Rijsenbilt & Commandeur, 2013). Overall, the rotated factor loadings of the three principal component solutions are above 0.20. These results are consistent with those of Emmons (1987) and Rijsenbilt and Commandeur (2013) (see Table 3 for a summary of factor loadings and the eigenvalues of the three principal components). Finally, we do not perform a PCA for the Emmons's (1987) "Leadership/Authority" factor as it is proxied by the CEO's average number of official titles. Our approach is different from that of Rijsenbilt and Commandeur (2013) who load CEO duality, CEO role titles and Gompers' governance index to create their "Leadership/Authority" factor. The main reason for choosing this approach is that we examine the moderating role of corporate governance characteristics on the association between CEO narcissism and the extent of environmental and social disclosures. We believe that, like Rijsenbilt and Commandeur (2013) and Buchholz et al. (2019), the four factors retained in this study coincide to a great extent with the way the NPI operationalizes narcissism and with the work of Emmons (1987). Table 4 shows the alignment of the 10 CEO's indicators with Emmons's (1987) four narcissism factors.

Next, for each of the four factors, we built one score by standardizing each factor using the average and standard deviation from all the 1,877 observations of the factor. Then we operationalized "CEO narcissism" as the sum of the four standardized scores (Rijsenbilt & Commandeur, 2013). The mean (median) of CEO narcissism index is 2.394 (-0.128). Sample CEOs display considerable variation in narcissism; the minimum score is -5.678 and the maximum score is 27.804. Because prior research in psychology has considered narcissism as a stable and enduring personality trait (del Rosario & White, 2005; Emmons, 1987), we assume that CEO narcissism measure does not change over time. Consequently, given that our key independent variable (Narcissism) is time-invariant, we use the Generalized Linear Model (GLM) Repeated Measures analysis to test our hypotheses.

Finally, to compare between CEOs who display high levels of narcissism and CEOs who display low levels of narcissism, we follow Olsen et al. (2014) and Olsen and Stekelberg (2016) and employ an indicator variable, named HighCEONarcissism, as an alternative specification of our tests. HighCEONarcissism is an indicator variable equal to 1 if CEO narcissism is above our sample median, and zero otherwise.

3.1.4 Control variables

To investigate the influence of CEO narcissism on the extent of environmental and social disclosures and improve the accuracy and robustness of the findings, we control for a number of variables to account for CEO-, firm-, and industry-level characteristics that potentially impact the extent of environmental and social disclosures (Baldini et al., 2018).

3.1.4.1 CEO Control Variables

According to upper echelons theory managers demographic characteristics may affect personal behavior (Hambrick & Mason, 1984). In this study, we control for CEOs age, tenure, and gender. We chose these characteristics for several reasons. First, these characteristics are observable and measurable and are central to upper echelons theory's predictions about the roles of CEOs in firm outcomes (Hambrick & Mason, 1984; Wang et al., 2016). Second, these characteristics are among the most frequently studied CEO characteristics in the UET (Finkelstein et al., 2009), CSR (Chin et al., 2013; Fabrizi et al., 2014; Manner, 2010; Marquis & Lee, 2013; McCarthy et al., 2017), and

accounting literatures (Abernethy & Wallis, 2019; Lewis et al., 2014; Plöckinger et al., 2016). Finally, psychology research documents the existence of age and gender differences in narcissism. For instance, Twenge, Konrath, Foster, Campbell, and Bushman (2008) find that recent generations are more narcissistic than previous generations. Extant literature shows that, in general, men more narcissistic than are women (Grijalva et al., 2015; Twenge & Campbell, 2009), which is also the case for CEOs (Ingersoll et al., 2019). It is therefore crucial to control for these demographic variables.

CEO Age

Individuals' ages have been shown to affect their cognitive processes (Hagestad & Neugarten, 1985). According to Child (1972) older individuals are more likely to display higher moral development, to make accurate decision, and to be more disposed for reconsideration. CEOs age was used by several authors because it captures their career concern incentives (Davidson, Dey, & Smith, 2015; McCarthy et al., 2017). Many past studies in the accounting literature have investigated the effects of CEO age on certain financial reporting outcomes (Bamber et al., 2010; Davis, Ge, Matsumoto, & Zhang, 2015; Ran et al., 2015; Rijsenbilt & Commandeur, 2013; Schrand & Zechman, 2012); however, results were not consistent. For instance, Marquez-Illescas et al. (2019) show that the overly positive tone of earnings announcements by narcissistic CEOs was moderated by CEOs' age. They suggest that age may dampen CEO narcissism. There is no research evidence on the effect of CEO age on the extent of CSR disclosure. We make no predictions about CEO age as the empirical evidence on the relation between age and financial reporting outcomes is mixed.

CEO Tenure

Following Chatterjee and Hambrick (2007), Rijsenbilt and Commandeur (2013), and Buchholz et al. (2019), we control for CEO tenure. Several accounting studies investigate the effect of CEO tenure on corporate disclosure (Ali & Zhang, 2015; Buchholz et al., 2019; Lewis et al., 2014; Rijsenbilt & Commandeur, 2013). For instance, Ali and Zhang (2015) show that new CEOs are more likely to overstate earnings. Considerably fewer studies have examined the influence of managers' tenure on CSR disclosure. Lewis et al. (2014) document that new CEOs are more likely to provide environmental disclosure. They suggest that long-tenured CEOs are more committed to

the established operating paradigm and tend to consider voluntary disclosure as unnecessary, while newly appointed CEOs are more willing to acquiesce to requests for voluntary disclosure. Following the reasoning of Lewis et al. (2014), we predict a negative relationship between CEO tenure and the extent of environmental and social disclosures. CEO tenure is defined as the number of years the CEO has been in the position.

CEO Gender

Studies on the effect of female CEOs on corporate decisions are beginning to emerge (Huang & Kisgen, 2013; Manner, 2010; Marquis & Lee, 2013; Mohan & Chen, 2004). In general, extant studies show a marked difference between female executives and male executives in terms of corporate decisions. For instance, researchers show that female CEOs are positively associated with higher levels of CSR performance (Manner, 2010; Marquis & Lee, 2013). Accounting studies on the existence of a gender effect on corporate financial reporting are burgeoning and results are mixed. For instance, Dyreng et al. (2010) and Ge et al. (2011) fail to find any association between executive gender and corporate tax avoidance and discretionary accruals respectively. However, Barua et al. (2010) and Peni and Vähämaa (2010) show that female CFOs have lower absolute discretionary accruals or higher income-decreasing discretionary accruals. Similarly, Ingersoll et al. (2019) find that narcissistic female CEOs are less likely to engage in risk-taking and questionable behaviors than do narcissistic male CEOs. We expect a positive relationship between gender and the extent of environmental and social disclosures for three main reasons. First, as suggested above narcissistic individuals crave for attention and admiration in the forms of affirmation, applause, and adulation (Buss & Chiodo, 1991; Morf & Rhodewalt, 2001; Wallace & Baumeister, 2002). Second, psychology literature suggests that men tend to be more narcissistic than women. Finally, studied CEOs are predominantly male (Zarya, 2016). We use a dummy variable equal to 1 if the CEO is male, and zero otherwise.

3.1.4.2 Firm Control Variables

Leverage

Firm leverage refers to creditors' power (Liu & Anbumozhi, 2009) and informational needs (Hummel, Schlick, & Fifka, 2017). The association between firm leverage and the extent of CSR disclosure has been a matter of theoretical and empirical controversies (Guidry & Patten, 2012).

For instance, some empirical studies fail to find any relationship between leverage and the extent of CSR disclosure (Aerts & Cormier, 2009; Cho, Freedman, & Patten, 2012; Cormier & Gordon, 2001; Giannarakis, 2014b; Ho & Taylor, 2007; Reverte, 2009; Smith, Yahya, & Amiruddin, 2007). However, some researchers find a positive relationship between leverage and the extent CSR disclosure (Dhaliwal et al., 2014; Hummel et al., 2017; Roberts, 1992b; Ullmann, 1985). These findings suggest that managers of highly leveraged firms provide more CSR disclosure to satisfy creditors' informational needs regarding potential risks related to CSR issues (Bouten, Everaert, & Roberts, 2012; Esa & Mohd Ghazali, 2012). Finally, some researchers find a negative relationship between firm leverage and the extent of CSR disclosure (Aerts, Cormier, & Magnan, 2008; Ahmad, Hassan, & Mohammad, 2003; Branco & Rodrigues, 2008; Cormier & Magnan, 1999). There are several explanations for this relationship. First, firms and creditors may communicate by using other channels than voluntary disclosure (Giannarakis et al., 2014). Second, a high degree of leverage may reduce managers' ability to fund CSR disclosure due to their need to generate and retain cash flows to service the debt (Barnea & Rubin, 2010; Reverte, 2009). Finally, a low degree of leverage may reduce creditors' pressure on managers to provide CSR disclosure (Brammer & Pavelin, 2008). We measure leverage as the ratio of debt to book value of total assets. Due to the contradictory empirical evidence, we do not predict the sign of the corresponding regression coefficient.

Profitability

Prior literature has suggested that well-performing firms have more financial resources to withstand any potential negative effect of disclosing proprietary information (Cormier & Magnan, 2003; Cormier, Magnan, & van Velthoven, 2005). Consequently, these firms are more likely to provide more extensive CSR disclosure (Dhaliwal et al., 2014; Ullmann, 1985). Following this reasoning, the relationship between financial performance and CSR disclosure should be positive. For instance, Cormier and Magnan (1999), Lang and Lundholm (2000), and Cormier and Gordon (2001) find a positive association between financial performance and environmental disclosure. Roberts (1992b) also shows that financial performance is positively associated with social disclosure. On the other hand, other researchers such as Neu et al. (1998) posit a negative relationship between CSR disclosure and financial performance on the ground that, in deficit years, firms may use CSR disclosure to prove the existence of long-term competitive advantages deriving

from environmental investments. Ho and Taylor (2007) and Smith et al. (2007) find that firms' financial performance impact negatively the extent of social disclosure. Finally, a third line of research argues that CSR disclosure is mainly motivated by social legitimacy and posits the absence of any association between firms' financial performance and CSR disclosure (Patten, 1991). Many empirical studies fail to find any association between financial performance and the extent of CSR disclosure (Aerts & Cormier, 2009; Ahmad, Sulaiman, & Siswantoro, 2003; Bewley & Li, 2000; Dawkins & Fraas, 2011; Guidry & Patten, 2012). We follow Baldini et al. (2018) and employ two measures for firm performance: the return on assets (ROA) and market-to-book value (MTB). Due to these mixed results, we do not predict any direction of the relation between financial performance and the extent of environmental and social disclosures.

Firm Size

Prior literature has suggested that, due to their high visibility, large firms tend to disclose more CSR information to avoid the scrutiny of a greater number of stakeholders (Elsayed & Hoque, 2010; Latridis, 2013). There is compelling evidence that firm size is significantly and positively associated with the extent of CSR disclosure (Blacconiere & Patten, 1994; Hackston & Milne, 1996; Kolk, 2003; Lee, 2017). Firm size is introduced as a control variable and is measured as the natural logarithm of market value. The variable is transformed through natural logarithm to minimize the potential heteroskedasticity caused by uneven distribution of firm size (Brammer & Millington, 2006; Clarkson et al., 2008; de Villiers & van Staden, 2011; Hackston & Milne, 1996; Patten, 2002). A positive relationship between firm size and the extent of environmental and social disclosures is expected.

Sales Growth

Extant literature on the relationship between firm growth and corporate disclosure is not determinate. On one hand, some researchers suggest that firms with better growth opportunities are more likely to provide more disclosure. The reasoning behind this is that because growing firms have to borrow to finance future growth and expansion, they are more likely to provide more extensive disclosure to improve their access to lower-cost external financing by ameliorating information asymmetry and agency conflicts (Verrecchia, 1983). In addition to requiring a source of financing for growth opportunities, growing firms could have more favorable information to

convey (Rogers, Buskirk, & Zechman, 2011). Khurana, Pereira, and Martin (2006) show a positive relationship between firm growth and the extent of its financial disclosure. Ashbaugh-Skaife, Collins, and Kinney (2007) show that growing firms are more likely to disclose internal control deficiency. On the other hand, other researchers argue that growing firms are more likely to encounter staffing issues due to the increase of the scope and complexity of their operations (Ashbaugh-Skaife et al., 2007; Glaum & Street, 2003). This may pose challenges for firms' managers and problems for their accounting function leading to depressed levels of disclosure. Baldini et al. (2018) find that growing firms provide less CSR disclosure. Sales_growth is the year-on-year sales growth. We predict a negative association between sales growth and the extent of environmental and social disclosures.

Cross Listing

According to Cooke (1989), overseas listing might urge firms to provide more voluntary disclosure because they have to respect the diverse laws and regulations of several stock exchanges. Prior empirical findings provide strong evidence on the positive relationship between international listing status and voluntary disclosure (Cooke, 1989; Singhvi & Desai, 1971) as well as CSR disclosure (Baldini et al., 2018; Reverte, 2009; Robb, Single, & Zarzeski, 2001). Cross listing is measured by the number of foreign stock markets in which the firm is listed. A positive relationship between cross listing (CrossListing) and the extent of environmental and social disclosures is expected.

Analyst Following

Since analysts respond to firms' disclosure practices, firms can attract analysts by providing more voluntary disclosure to improve the accuracy of market expectations, reduce information asymmetries and limit market surprises (Lang & Lundholm, 1993, 1996). Previous empirical studies confirm the association between the number of analysts forecasting earnings per share and CSR disclosure (Baldini et al., 2018; Ioannou & Serafeim, 2012). Analyst Following is measured by the simple average of the number of analysts forecasting earnings per share across the twelve-monthly reporting periods during the company's fiscal year. We expect a positive relationship between the number of analysts following a firm (AnalystFollowing) and the extent of environmental and social disclosures.

Industry

Previous empirical studies provide strong evidence on the association between the industry membership and CSR disclosure (Cowen et al., 1987; Giannarakis, 2014b; Giannarakis et al., 2014; Gray et al., 1995; Holder-Webb et al., 2009; Patten, 1991). Specifically, previous research show that companies with a high environmental impact (i.e., companies from the metals, resources, paper and pulp, power generation, water, and chemical sectors) tend to disclose and report considerably more information than those with low environmental impact to reduce the impending costs (Deegan & Gordon, 1996). Consequently, we use industry membership as a control variable. The Fama French Industry dummies are taken as control variables.

3.1.5 Empirical Model for Hypothesis 1

Hypothesis 1 predicts that CEO narcissism will be positively related to environmental and social disclosures. We test the following regression model, between environmental and social disclosures and CEO narcissism and a set of control variables:

$$\begin{aligned} DiscExtent_{i,t} = {} & \beta_0 + \beta_1 Narcissism_{i,t} + \beta_2 CEOAge_{i,t} + \beta_3 CEOTenure_{i,t} \\ & + \beta_4 CEOGender_{i,t} + \beta_5 Leverage_{i,t} + \beta_6 Profitability_{i,t} + \beta_7 MTB_{i,t} \\ & + \beta_8 Sales_Growth_{i,t} + \beta_9 CrossListing_{i,t} + \beta_{10} AnalystFollowing_{i,t} \\ & + \beta_{11} Size_{i,t} + FFDummies + \varepsilon \end{aligned} \quad (1)$$

where (details of calculation and sources of all variables are in Appendix 2) DiscExtent is the percentile ranking transformation of environmental (and social) disclosures scores provided by Bloomberg, Narcissism is defined in alternative specifications as the continuous variable CEONarcissism or the indicator variable HighCEONarcissism. Consistent with prior studies, we use several proxies to control for CEO and firm characteristics that can potentially influence a firm's decision to provide environmental and social disclosures. To control for differences between CEOs, we use three variables identified in the literature—CEO age, CEO tenure, and CEO gender. At the firm level, we follow past research and include firm characteristics that are reported to be influencing the extent of environmental and social disclosures. Specifically, Leverage is the ratio of total debt to the book value of total assets; Profitability is the return on assets; MTB is the ratio of the market to book value of equity; Size is the natural logarithm of market value; Sales_Growth is the year-on-year sales growth; CrossListing is the number of markets in which the firm is listed;

and AnalystFollowing is the simple average of the number of analysts forecasting earnings per share for the following year across the twelve-monthly reporting periods during the company's fiscal year. FFDummies are dummies for the Fama French industries[28]. Finally, ε is the error term and the subscripts *i* and *t* stand for firms and time, respectively. Our hypothesis predicts a positive coefficient on Narcissism, $\beta_1>0$ (i.e., an increase of the extent of environmental and social disclosures with higher CEO narcissism). Drawing on prior literature (Baldini et al., 2018; Ioannou & Serafeim, 2012), we first consider EnvRank as a dependent variable in equation (1) and then replace it with SocRank to identify varying impacts of CEO narcissism and our CEO-, firm-, and industry-level control variables on such disclosures.

3.1.6 Moderators: Board Structure

To consider the moderating effect of board structure on the relationship between CEO narcissism and the extent of environmental (and social) disclosures, we use three moderators: board independence, board meeting frequency, and CEO Duality. First, we follow prior literature and measure board independence by the proportion of non-executive directors to total directors on the board (Giannarakis, Andronikidis, & Sariannidis, 2019; Haniffa & Cooke, 2005; Khan et al., 2013). Second, we follow Giannarakis (2014b) and include a measure of board meeting frequency: "BMeetings" is the number of board meetings per year. Finally, following prior researchers, our measure of CEO duality is dummy variable equals 1 if the CEO is acting as the chairman of the board of directors; 0 otherwise (Giannarakis, 2014b; Khan et al., 2013). The Bloomberg database is selected for the corporate governance data.

3.1.7 Empirical Models for Hypotheses 2 to 4

To test our hypotheses 2 to 4, we modify equation (1). The model is set out below.

$$\begin{aligned} DiscExtent_{i,t} = \; & \beta_0 + \beta_1 \, Narcissism_{i,t} + \beta_2 \, CEOAge_{i,t} + \beta_3 \, CEOTenure_{i,t} \\ & + \beta_4 \, CEOGender_{i,t} + \beta_5 \, Leverage_{i,t} + \beta_6 \, Profitability_{i,t} + \beta_7 \, MTB_{i,t} \\ & + \beta_8 \, Sales_Growth_{i,t} + \beta_9 \, CrossListing_{i,t} + \beta_{10} \, AnalystFollowing_{i,t} \\ & + \beta_{11} \, Size_{i,t} + \beta_{12} \, Bstructures_{i,t} + \beta_{13} \, Narcissism_{i,t} * Bstructures_{i,t} \end{aligned} \qquad (2)$$

[28] There are 12 Fama French industries: (1) Non-Durables; (2) Durables; (3) Manufacturing; (4) Energy, Oil and Gas; (5) Chemicals and Allied products; (6) Business Equipment; (7) Telecom; (8) Utilities; (9) Shops, Wholesale, Medical Equipment, and Drugs; (10) Healthcare and medical equipment; (11) Money Finance; (12) Other, Construction, Building Materials, Transportation, Hotels, Bus and Entertainment.

$+ \text{FFDummies} + \varepsilon$

where DiscExtent is the percentile ranking transformation of the environmental (and social) disclosures scores and Bstructures is board independence, board meeting frequency, and CEO duality. All other variables remain as previously defined. Specifically, to test whether board structure (i.e., board independence, board meeting frequency, and CEO duality) has positive moderating effects on the relationship between CEO narcissism and environmental (and social) disclosures, we include each board characteristic and an additional interaction term in our main regression. If an efficient governance structure causes narcissistic CEOs to provide more extensive environmental (and social) disclosure, the coefficient β_{13} will be significantly positive.

3.2 Empirical Results and Analyses

3.2.1 Univariate Analysis and Bivariate Correlation

3.2.1.1 Univariate Analysis

Table 5 provides summary statistics for the extent of the environmental and social disclosure metrics as downloaded from the Bloomberg database. As suggested above, the extent of the disclosure score calculated by Bloomberg is a measure of how transparent the company's disclosure is on the environmental and social topics. These scores are provided on a scale of 0% to 100%. In addition, to look at the trend over time for the average disclosure score, we estimate an analysis of variance (ANOVA) by using general linear model (GLM) estimation. This is the appropriate approach for testing trends with repeated measures. Finally, we examine the yearly variance of disclosure scores by performing two-tailed mean-difference tests. Panel A of Table 5 reports the descriptive statistics for environmental disclosure scores. The overall environmental disclosure score is right skewed (Mean = 19.385; Median = 13.178) suggesting that our sample firms did not provide much environmental information. The highest level of environmental disclosure is 22.402% and was reported in 2008. The ANOVA results do not show any significant linear trend for the environmental disclosure, despite the significant decrease of the environmental disclosure score during 2008-2009 and 2014-2015. Panel B of Table 5 shows the descriptive statistics for social disclosure scores. Similar to the overall environmental disclosure score, the overall social disclosure score is right skewed (Mean = 24.550; Median = 19.298). The highest

mean (median) value of 27.561 (24.561) was reported in 2014. However, unlike environmental disclosure, the ANOVA results show a significant linear trend for social disclosure ($p < 0.10$). Overall, the descriptive statistics suggest that on average our sample of firms make more extensive social disclosure than environmental disclosure, which in accordance with the results of prior studies (e.g., Baldini et al., 2018; Benlemlih et al., 2018; Li et al., 2018; Qiu et al., 2016).

Table 6 summarizes the descriptive statistics of the dependent, independent, moderating, and control variables for the entire sample. Table 6, Panel A reports the percentile rank of the environmental (EnvRank) and social (SocRank) disclosures. The average firm has an EnvRank (SocRank) score of 0.360 (0.368) on a scale between zero and 1. These scores are similar to those reported by Baldini et al. (2018). Panel B summarizes CEO characteristics. The mean narcissism score reported is 2.394, while the standard deviation is 2.204 indicating significant variation in narcissism among CEOs in our sample. In addition, CEOs in the sample, on average, have tenure of 10.378 years and an age of 58.104 years. There are 97.123 percent male CEOs, which indicates that the majority of CEOs in the sample are male. Statistics for CEO characteristics are similar to those reported by McCarthy et al. (2017) and Buchholz et al. (2019). Panel C presents summary statistics for firm-level characteristics for the sample. Some firm-specific variables are winsorized at the 1st and 99th percentiles to reduce the effect of outliers. Our average sample firm has a market value (MarVal) of approximately 23,833.174 U.S. $ billions with a minimum of 46.143 U.S. $ millions and a maximum of 731,884.412 U.S. $ billions, exposes a market-to-book ratio (MTB) of 5.188, leverage ratio of 0.256, and return on assets of 5.9% (Profitability) with Sales_Growth of 7.3%. In addition, the average firm is followed by 15 analysts and listed in two stock markets. Panel D summarizes board structure. In our sample firms, the mean of board independence (BOD_Independence) is 83.342%, the average number of board meetings (BOD_Meetings) is slightly more than 7 per year. Moreover, 55.833% of our sample firm-years have duality governance structure (CEO_Duality).

3.2.1.2 Bivariate Correlation

Before multivariate analysis, we conduct a pairwise correlation test between all variables that we use. Table 7 summarizes these results. Table 7 shows the Variance Inflation Factors (VIFs) for the independent and control variables. The VIFs which measure multicollinearity do not exceed the

conventional limit of 3. Consequently, our sample does not suffer from multicollinearity problems that may influence our multivariate analysis.

Inspection of the correlation matrix shows that CEONarcissism is significantly positively correlated with EnvRank (r = 0.1726, p <0.01) and SocRank (r = 0.1714, p <0.01). Similarly, we find that HighCEONarcissism is positively associated to EnvRank (r = 0.2108, p <0.01) and SocRank (r = 0.2407, p <0.01). These results provide initial evidence supporting our first hypothesis. That is, narcissistic CEOs are more likely to provide more extensive environmental and social disclosures. As expected, we observe significant correlations between environmental disclosure and firm size (r = 0.5548, p <0.01), leverage (r = 0.0510, p <0.05), MTB (r = 0.1359, p <0.01), profitability (r = 0.1286, p <0.01), analyst following (r = 0.4024, p <0.01), and cross listing (r = 0.3496, p <0.01). Similarly, social disclosure is positively correlated to firm size (r = 0.4704, p <0.01), leverage (r = 0.0856, p <0.05), MTB (r = 0.1386, p <0.01), profitability (r = 0.1400, p <0.01), analyst coverage (r = 0.3202, p <0.01), and cross listing (r = 0.2816, p <0.01). These results are consistent with prior literature (Baldini et al., 2018; Patten, 1991). However, we observe that the extent of both environmental and social disclosures is negatively associated with sales growth. In addition, the results of the correlation coefficient for CEO characteristics show that CEO_Tenure is negatively correlated to the extent of both environmental and social disclosures, suggesting that more tenured CEOs are less likely to disclose environmental and social information. This finding is consistent with the one of Lewis et al. (2014). With respect to board structure variables, the results show a strong correlation between the extent of environmental and social disclosures and both board independence and CEO duality. Interestingly, we find that both CEONarcissism and HighCEONarcissim are significantly and positively correlated to CEO overconfidence, suggesting that narcissistic CEOs are more likely to be overconfident. These results are consistent with prior psychology research (Campbell et al., 2004b; Chen, 2010; Post, 1993; Rosenthal & Pittinsky, 2006; Schaefer et al., 2004). In the next section, we proceed to multivariate tests to investigate the incremental effect of CEO narcissism on our dependent variables.

3.2.2 Multivariate Analysis

3.2.2.1 Effect of CEO Narcissism on the Extent of Environmental and Social Disclosures

Tables 8 reports Generalized Linear Model (GLM) results for estimating equation (1). All models were highly significant, by the Wald χ^2 test. Consistent with our predictions, we find significantly positive coefficients on both continuous (CEONarcissim) and indicator (HighCEONarcissism) measures of narcissism across all specifications. Models 1 and 2 test the main effect of CEO narcissism on the extent of environmental disclosure. Hypothesis 1 was supported, as evidenced by the significant positive coefficients on CEONarcissim (β = 0.005, p <0.10) and HighCEONarcissism (β = 0.038, p <0.01). The economic implication of the coefficient on HighCEONarcissism indicates that firms with relatively high-narcissistic CEOs are 1.9 percent more likely to provide a more extensive environmental disclosure relative to firms with low-narcissistic CEOs.

The majority of firm control variables have signs consistent with our expectations and findings of prior studies, such as Baldini et al. (2018). The results of Model 1 show that the higher the Leverage, Size, CrossListing, and AnalystFollowing, the greater the level of environmental disclosure (p <0.01 for Size and AnalystFollowing, p <0.05 for other variables). We also find that MTB and Sales_Growth are negatively and statistically significantly (p <0.01) associated with the extent of environmental disclosure. At the CEO level, in accordance with Lewis et al. (2014), we find that tenured CEOs are less likely to provide environmental disclosure, suggesting that long-tenured CEOs are less likely to provide environmental disclosure. Finally, we show that CEO_Age and CEO_Gender are positively associated with the extent of environmental disclosure. The results of Model 2 are quite similar to those of Model 1, although we acknowledge that CEO_Age has an opposite sign to that in Model 1, while Leverage and CrossListing show no relationship with the extent of environmental disclosure.

Models 2 and 3 test the main effect of CEO narcissism on the extent of social disclosure. The fourth and fifth columns of Table 8 reports the results of re-estimating Model 1 and Model 2, replacing the dependent variable EnvRank with SocRank. As predicted, we document a statistically significant positive association between CEONarcissim (β = 0.007, p <0.01) and HighCEONarcissism (β = 0.044, p <0.01). The economic significance of these results shows that

a one standard deviation increase in HighCEONarcissism is associated with an approximately 2.2 percent increase in the extent of social disclosure. Regarding the control variables, the results show that firm size, firm leverage, and the number of analysts following are positively associated with the extent of social disclosure, while Sales_Growth is negatively associated with the extent of social disclosure, consistent with the findings of Baldini et al. (2018). As for environmental disclosure, tenured CEOs are less likely to provide social disclosure and aged CEOs are more likely to disclose social information. Overall, the results reported in Table 8 support our hypotheses of a positive association between CEO narcissism and the extent of environmental and social disclosures, highlighting narcissistic CEOs' strong motivation to pursue rewards or desirable outcomes such as gaining stakeholders' attention and admiration and enhancing their reputation.

3.2.2.2 Moderating Role of Board Structure on the Relationship Between CEO Narcissism on the Extent of Environmental and Social Disclosures

Table 9 and Table 10 present the results of estimating equation 2. In Table 9 we examine the moderating effect of board structure on the relationship between CEO narcissism and environmental disclosure. We continue to find a strong positive relation between HighCEONarcissism and the extent of environmental disclosure. However, we fail to find support for Hypothesis 2. The coefficient on CEONarcissim is negative, but not statistically significant, while the coefficient of the interaction of CEONarcissism and BIndependence is positive and significant ($\beta = 0.000$; $p < 0.10$) in Model 2. In Model 8, we continue to find a strong positive relation between HighCEONarcissism and environmental disclosure, however, the coefficient of the interaction of HighCEONarcissism and BIndependence is positive, but not statistically significant. In addition, we do not find any consist evidence of moderating effects of a board meeting frequency and CEO duality on the relation between narcissism and environmental disclosure. Consequently, we fail to find support for Hypothesis 3 and Hypothesis 4.

Table 10 presents the results for tests of the moderating effects of board characteristics on the relationship between CEO narcissism and the extent social disclosure. We also continue to find a strong positive relation between HighCEONarcissism and the extent of social disclosure. However, we fail to find support for Hypothesis 2 and Hypothesis 4. Finally, in Model 10, the results show a significant positive effect for the interaction of HighCEONarcissism and

BMeetings, providing preliminary support for Hypothesis 3. Overall, our findings are consistent with Michelon and Parbonetti (2012) and Giannarakis (2014b). Specifically, Michelon and Parbonetti (2012) find that board independence and CEO duality have no effects on the extent of CSR disclosure. In addition, Giannarakis (2014b) fails to find any association between the number of board meetings and the extent of CSR disclosure.

3.2.2.3 Robustness Test: CEO Overconfidence

As discussed previously, psychology researchers show that narcissism is positively related to overconfidence (Campbell et al., 2004b; Macenczak et al., 2016) and that narcissism predicts overconfidence (Macenczak et al., 2016), but also stress the existence of a significant difference between the two constructs. That is, overconfidence relates to an individual's inflate judgment of a specific situation, whereas narcissism is experienced across situations, with the constant aim of enhancing the positivity of the self (Campbell et al., 2004b). Given that CEO overconfidence, like CEO narcissism, has been associated with several corporate outcomes such as corporate investment (Malmendier & Tate, 2005a, b, 2008), financing (Gervais, Heaton, & Odean, 2011; Huang & Kisgen, 2013; Malmendier, Tate, & Yan, 2011), financial reporting outcomes (Ahmed & Duellman, 2013; Hribar & Yang, 2016; Presley & Abbott, 2013), and CSR performance (McCarthy et al., 2017). Consequently, a potential concern is that our results reflect overconfidence rather than narcissism. Following Aktas et al. (2016), Ham et al. (2017), Judd et al. (2017), and Ham et al. (2018), we control for CEO overconfidence in our primary tests to empirically distinguish between the effects of CEO narcissism and CEO overconfidence.

As it is the case for narcissism, prior research has suggested that measuring CEO overconfidence is a challenge. This is notably explained by the nature of the construct itself. Malmendier and Tate (2005b) consider overconfidence as a biased belief while Johnson and Fowler (2011) consider overconfidence as a psychological bias. It is therefore impossible to use a direct and precise measurement of CEO overconfidence (Malmendier & Tate, 2005b). In their review of CEO overconfidence research, Hill, Kern, and White (2014) highlight that prior research has used multiple unobtrusive, or indirect, measures of CEO overconfidence from secondary data sources. In total, there is currently seven measures of CEO overconfidence, namely CEOs' language use (Rovenpor, 1993), CEOs' press portrayals in the business press (Chen et al., 2015; Malmendier & Tate, 2005b, 2008; Malmendier et al., 2011), recent organizational performance

(Hayward & Hambrick, 1997; Hill et al., 2014), organizational investments (Campbell, Gallmeyer, Johnson, Rutherford, & Stanley, 2011a; Hill et al., 2014; Malmendier & Tate, 2005a), relative compensation (Hayward & Hambrick, 1997; Hill et al., 2014), CEOs' personal overinvestment in their companies, also known as stock option exercise (Bouwman, 2014; Chen et al., 2015; Hirshleifer, Low, & Teoh, 2012; Malmendier & Tate, 2005b, 2008; Schrand & Zechman, 2012), and stock purchases (Ahmed & Duellman, 2013; Campbell et al., 2011a; Malmendier & Tate, 2005a). In addition to these measures, some managers characteristics have been used to measure CEO overconfidence, on grounds that the psychology literature provides evidence on the positive association between these characteristics and overconfidence (Andriosopoulos, Andriosopoulos, & Hoque, 2013; Schrand & Zechman, 2012). For instance, Schrand and Zechman (2012) use five CEOs' characteristics to measure CEO overconfidence, that is, CEOs' founding family status, CEOs' tenure, expertise, gender, and age.

To classify CEO overconfidence measures, Malmendier and Tate (2005b) propose two approaches: the "revealed beliefs" approach (i.e., CEOs' personal overinvestment in their company) and the perceptions by others approach (i.e., CEOs' press portrayals in the business press). Given that we are using a large sample, we opt for the revealed beliefs' approach in measuring CEO overconfidence. The revealed belief approach is based on the premise that CEOs' behaviors or evidence of behaviors are manifestations of their internal beliefs (Presley & Abbott, 2013). In the behavioral finance, this approach focuses on executives' option exercise behaviors as a measure of CEO overconfidence. According to Malmendier and Tate (2005a), overconfident CEOs would postpone to exercise vested in-the-money options because they believe that the stock prices of their companies will continue to rise under their leadership, that is, they overestimate their companies' future returns. To measure CEO overconfidence, Malmendier and Tate (2005a, 2005b, 2008) construct three indicator variables (i.e., Longholder[29], Pre-/Post-Longholder[30], and Holder 67[31]) to distinguish between CEOs who are "late" option exercisers and those who are

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[29] "This indicator variable identifies CEOs who, at least once during their tenure, hold an option until the year of expiration, even though the option is at least 40% in-the-money entering its final year." (Malmendier & Tate, 2008: 24).

[30] The Longholder indicator is split into two separate dummy variables: (1) "Post-Longholder is equal to 1 only after the CEO for the first time holds an option until expiration (provided it exceeds the 40% threshold)" and (2) "Pre-Longholder is equal to 1 for the rest of the CEO years in which Longholder is equal to 1." (Malmendier & Tate, 2008: 24).

[31] "Holder 67 equal to 1 if a CEO fails to exercise options with five years remaining duration despite a 67% increase in stock price (or more) since the grant date." (Malmendier & Tate, 2008: 25).

"timely" option exercisers. To do so, they use a detailed dataset containing information on the stock ownership, remaining duration, exercise price, and vesting period of each executive option package, year by year. However, the information used by Malmendier and Tate (2005a, 2005b, 2008) is not available any more[32]. To overcome this limitation, scholars use modified versions of Malmendier and Tate's (2005a, b, 2008) measures of CEO overconfidence (Ahmed & Duellman, 2013; Banerjee, Humphery-Jenner, & Nanda, 2015; Campbell et al., 2011a; Chen et al., 2015; Hirshleifer et al., 2012; Hsieh et al., 2014; McCarthy et al., 2017).

In this study, we follow Banerjee et al. (2015) and McCarthy et al. (2017) and use a continuous overconfidence variable instead of an indicator variable. The advantage of using a continuous overconfidence measure is that it permits to place the CEOs in our sample on a confidence continuum (Aktas et al., 2016). Indeed, prior literature has shown that overconfidence is not a static characteristic but a changing one. In this regard, Gervais and Odean (2001) investigate traders' overconfidence and demonstrate that traders' overconfidence is dynamic; it may wax and wane over time. Specifically, the study provides evidence that traders' overconfidence increase when they accurately predict future earnings, and vice versa. Hilary and Menzly (2006) show that, after a series of accurate predictions, financial analysts become overconfident in their ability to forecast future earnings. In the context of mergers and acquisitions, Billett and Qian (2008) show that CEOs who have positive experiences from past acquisitions are more likely to become overconfident. These results suggest that CEOs may develop overconfidence through experience.

Our CEO overconfidence is adapted from the CEO option exercise behavior developed in McCarthy et al. (2017). We obtain data on the CEO stock option holdings and year-end firm stock price from Compustat's ExecuComp and Compustat Global databases respectively. We first obtain the total value per option of the in-the-money options by dividing the value of all CEO's unexercised exercisable options by the number of such options. Next, we scaled this value per option by the year-end firm stock price. This variable reflects the extent to which a CEO holds vested in-the-money options. Panel B of Table 6 shows that CEO_Overconfidence takes an average value of 0.220 between 2008 and 2017, which is lower than the value reported by

[32] A single database, the Compustat's ExecuComp, is giving information on U.S. top executives' stock options, but does not provide the same set of variables as the proprietary database used by Malmendier and Tate (2005a, b, 2008).

McCarthy et al. (2017) and Banerjee, Dai, Humphery-Jenner, and Nanda (2017) who report a CEO's overconfidence level of 0.289 and 0.231 respectively.

To check the robustness of our results, we rerun our main tests by controlling for CEO overconfidence. The results are reported in Table 11. All models were highly significant, by the Wald χ^2 tests. In general, we find that, unlike CEO narcissism, CEO overconfidence influence negatively environmental and social disclosures. That is, CEO overconfidence is negatively and statistically significantly related to the extent of environmental and social disclosures. In the second and third columns of Table 11, we present the results when the CEO overconfidence variable is added to the analysis of the effect of CEO narcissism on the extent of environmental disclosure. As shown in column 2, we find that the coefficient on CEONarcissim remains positive but statistically insignificant at conventional levels, although the level of significance was low (p <10% level) in our primary tests. However, column 3 shows significant positive coefficients on HighCEONarcissism ($\beta = 0.35$, $p < 0.01$) suggesting that the inclusion of the CEO overconfidence variable confirms the positive relation between CEO narcissism and the extent of environmental disclosure. CEO age (CEO_Age) and gender (CEO_Gender) are both positive and significant, while CEO tenure (CEO_Tenure) is negative and significant. The signs and significances of the majority of firm control variables remain substantially unchanged. The results of Model 1 show that the higher the Leverage, Size, CrossListing, and AnalystFollowing, the greater the level of environmental disclosure. We also find that MTB and Sales_Growth are negatively and statistically significantly ($p < 0.01$) associated with the extent of environmental disclosure.

On the other hand, to distinguish the incremental effect of CEO overconfidence and CEO narcissism on the extent of social disclosure, we include the options-based measure of overconfidence used in prior research into our empirical tests. We find that the coefficients on both CEONarcissim and HighCEONarcissism remain positive and significant at the 1% level. CEO age (CEO_Age) is positive and significant, while CEO tenure (CEO_Tenure) is negative and significant. However, CEO gender (CEO_Gender) lose its significance. Regarding the other control variable, the fourth and fifth columns show that the coefficients on Leverage, Size, and AnalystFollowing remain positive and statistically significantly related to the extent of social disclosure. We also note that Sales_Growth is negatively and statistically significantly ($p < 0.01$) associated with the extent of social disclosure.

In sum, although we acknowledge that CEONarcissim remains positive but statistically insignificant in the first specification, globally our results from this additional analysis show that CEO narcissism remains substantially unchanged when CEO overconfidence is included in the analyses, indicating that narcissism explains effects beyond those detected for overconfidence.

Conclusion

In this study, we examine the relationship between CEO narcissism and CSR disclosure. Bertrand and Schoar (2003) argue that managers characteristics and personality traits, such as narcissism, can affect firm-level decisions. While there is a substantial literature relating CEO characteristics to financial reporting decisions, the extant literature on the effect of CEO characteristics and personality traits on CSR disclosure has been far less explored. We contribute to the accounting literature by providing evidence on the effects of CEO narcissism on the extent of environmental and social disclosures. Because narcissistic CEOs are permanently on a quest for attention and admiration and enhancing firms' reputation and their own reputation, we predict that CEO narcissism is positively associated with CSR disclosure. Using a sample of S&P 1500 firms over the period 2008–2017 consisting of an unbalanced panel of 1,877 firm-year observations. We find evidence of a significant positive relation between CEO narcissism and the extent of environmental and social disclosures. In addition, we show that, in generally, board structure does not influence the relationship between CEO narcissism and environmental and social disclosures.

Overall, our findings are consistent with the bright side of CEO narcissism. Our study complements the works of Lewis et al. (2014) and Muttakin et al. (2018) who provide evidence that firms led by newly appointed CEOs, CEOs with MBA degrees, and powerful CEOs are more likely to influence CSR disclosure.

This study has limitations, which should be considered when interpreting the results. First, inherent to any deductive research approach, the results are about association and not causality. Further empirical studies are needed to investigate the causality between the two concepts. Second, we focus on one behavioral trait, other managerial characteristics may provide different results. Third, the construct of narcissism is difficult to measure and consequently the validity of our inferences is critically dependent on the validity of our proxies for this construct. Fourth, our study does not consider the quality of the information disclosed. Our measure of CSR disclosure is based

only on the presence or absence of CSR items in CSR disclosure, which is one dimension of transparency. Finally, our sample is composed of the S&P 1500 firms which are large U.S. firms, thus making the findings difficult to extrapolate to non-listed and SME companies.

Tables

Table 1. Sample Constituents by Industry and Year

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	Percentage
1. Consumer Nondurables	3	10	13	24	19	21	20	23	36	31	200	10.66
2. Consumer Durables	1	3	3	10	2	3	4	5	8	10	49	2.61
3. Manufacturing	7	14	16	37	15	19	18	23	65	59	273	14.54
4. Energy	0	0	1	19	1	1	0	0	28	25	75	4.00
5. Chemicals	1	3	3	9	4	5	8	6	10	13	62	3.30
6. Business Equipment	13	12	17	38	26	25	26	28	59	63	307	16.36
7. Telecommunication	1	1	1	7	1	1	1	1	9	6	29	1.55
8. Utilities	0	2	1	25	3	2	2	2	28	27	92	4.90
9. Wholesale, Retail, and Some Services	7	12	17	22	23	30	26	30	36	42	245	13.05
10. Healthcare, Medical Equipment, and Drugs	1	1	3	10	3	2	1	2	24	23	70	3.73
11. Finance	2	1	0	47	2	2	2	5	102	106	269	14.33
12. Others	3	7	8	35	12	11	9	12	54	55	206	10.97
Total	39	66	83	283	111	122	117	137	459	460	1,877	100.00
Percentage	2.08	3.52	4.42	15.08	5.91	6.50	6.23	7.30	24.45	24.51	100.00	

The sample includes all S&P1500 firms with environmental and social disclosures issued by Bloomberg. The sample period is between 2008 and 2017. This table displays the sample breakdown across years and 12 Fama and French (1997) industry groups for 1,877 firm-year observations

Table 2. Pearson's Correlation Coefficients of Narcissism Indicators

	M	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Words biography	59.358	37.212	1									
(2) Awards	0.873	2.887	0.151***	1								
(3) Cash compensation	450.781	504.081	0.009	0.048**	1							
(4) Total compensation	3073.579	2817.699	0.125***	0.121***	0.531***	1						
(5) Ratio cash compensation	1.859	2.841	-0.011	-0.015	0.246***	0.191***	1					
(6) Ratio total compensation	2.152	2.343	0.023	-0.016	0.259***	0.263***	0.245***	1				
(7) Rank compensation	1.197	0.567	-0.095***	0.229***	0.007	0.112***	-0.042*	-0.122***	1			
(8) CEO titles	2.597	0.441	0.084***	-0.104***	-0.063***	-0.111***	0.023	0.098***	-0.188***	1		
(9) Value of acquisitions	0.019	0.055	0.056**	0.011	0.113***	0.083***	-0.021	0.032	-0.013	0.024	1	
(10) Number of acquisitions	0.132	0.338	0.050**	0.016	0.071***	0.065***	-0.025	0.032	-0.040*	0.008	0.894***	1

Notes. Cash compensation and total compensation in thousands
*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 3. Factor Structure Narcissism Indicators (Rotated Solution)

	Self-absorption/Self-admiration	Superiority/Arrogance	Exploitativeness/Entitlement
Awards	0.278		
words biography	0.317		
Cash compensation	0.814		
Total compensation	0.863		
Value of acquisitions		0.973	
Number of acquisitions		0.973	
Ratio cash compensation			0.713
Ratio total compensation			0.776
Rank compensation			-0.426
Eigenvalues	1.585	1.894	1.292

Table 4. Alignment of CEO's Indicators with Emmons's (1987) Four Narcissism Factors

Leadership/Authority	Self-absorption/Self-admiration	Superiority/Arrogance	Exploitativeness/Entitlement
Role titles	Awards	Value of acquisitions	Ratio cash compensation
	Words biography	Number of acquisitions	Ratio total compensation
	Cash compensation		Rank compensation
	Total compensation		

Table 5. Descriptive Statistics for Environmental and Social Disclosures Scores

Panel A: Descriptive Statistics by Year for Environmental Disclosure and Test for Trend

Statistic	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2008-2017**
Mean	22.402	18.684	18.308	20.505	21.204	20.987	21.826	17.796	18.637	18.471	19.385
SD	16.234	16.745	16.466	17.581	16.563	16.521	17.033	15.723	17.641	17.882	17.287
Min	1.550	0.775	1.550	1.379	1.550	1.550	1.550	1.550	1.379	1.379	0.775
Median	18.604	13.565	13.953	13.953	16.279	16.860	17.054	13.103	11.627	12.012	13.178
Max	66.666	76.744	76.744	78.512	75.969	64.341	72.093	72.868	76.589	77.686	78.512
N	39	66	83	283	111	122	117	137	459	460	1,877

Test for linear trend effect $\chi^2(9) = 24.55$***

Follow-up	2009–2008	2010–2019	2011–2010	2012–2011	2013–2012	2014–2013	2015–2014	2016–2015	2017–2016
Mean difference	-3.717**	-0.376	2.197	0.699	-0.217	0.839	-4.029***	0.840	-0.166

Panel B: Descriptive Statistics by Year for Social Disclosure and Test for Trend

Statistic	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2017
Mean	22.476	22.937	20.895	23.117	25.567	26.355	27.561	24.246	24.431	25.217	24.550
SD	14.433	16.583	15.005	16.009	14.394	12.891	13.414	12.776	14.456	14.243	14.513
Min	3.333	3.508	3.508	3.125	3.125	3.508	3.508	3.333	3.125	3.125	3.125
Median	19.298	19.298	17.543	19.298	22.807	23.684	24.561	21.667	19.298	22.236	19.298
Max	52.631	63.157	59.649	71.875	57.894	57.894	71.929	70.175	75.438	73.437	75.438
N	39	66	83	283	111	122	117	137	459	460	1,877

Test for linear trend effect $\chi^2(9) = 28.60$***

Follow-up	2009–2008	2010–2009	2011–2010	2012–2011	2013–2012	2014–2013	2015–2014	2016–2015	2017–2016
Mean difference	0.461	-2.041	2.221	2.450*	0.788	1.206	-3.315***	0.185	0.785

*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 6. Descriptive Statistics

Variable	N	Mean	Standard deviation	Minimum	Median	Maximum
Panel A: Environmental and Social Disclosure Measures						
EnvRank	1,877	0.360	0.294	0	0.292	1
SocRank	1,877	0.368	0.250	0	0.310	1
Panel B: CEO Characteristics						
CEONarcissism	1,877	2.394	2.204	-5.678	-0.128	27.804
HighCEONarcissism	1,877	0.499	0.500	0	0	1
CEO_Age	1,877	58.104	6.115	32	58	96
CEO_Tenure	1,877	10.378	6.556	4	9	62
CEO_Gender	1,877	0.971	0.167	0	1	1
CEO_Overconfidence	1,877	0.220	0.243	0	0.152	3.257
Panel C: Firm Characteristics						
MarVal[1]	1,877	23,833.174	51,530.772	46.143	7,754.746	731,884.412
Leverage[1]	1,877	0.256	0.162	0	0.247	0.847
ROA[1]	1,877	0.059	0.063	-0.415	0.054	0.356
MTB[1]	1,877	5.188	23.170	0.115	2.681	689.783
Size	1,877	9.008	1.395	6.107	8.956	12.436
Sales_Growth[1]	1,877	0.073	0.176	-0.781	0.053	2.421
CrossListing	1,877	2.024	1.065	1	2	7
AnalystFollowing	1,877	15.229	8.508	1	14.667	47.083
Panel D: Board Structure						
BIndependence	1,877	0.833	0.095	0.416	0.875	1
BMeetings	1,877	7.675	3.231	3	7	43
CEODuality	1,877	0.558	0.497	0	1	1

This table presents descriptive statistics and analysis of the dependent, independent, moderating, and control variables for the entire sample. EnvRank and SocRank are the transformation of actual environmental and social scores as downloaded from Bloomberg. MarVal is market value (US $thousands) and is used to calculate Size but not employed in bivariate and multivariate analysis. CEO characteristics, board structure, and firm characteristics are defined is Appendix 2

[1]Variables winsorized at the 1st and 99th percentiles

Table 7. Pearson's Correlation Coefficients of Variables Used in the Analysis

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	VIF
(1) EnvRank	1									
(2) SocRank	0.7552***	1								
(3) CEONarcissism	0.1726***	0.1714***	1							1.88
(4) HighCEONarcissism	0.2108***	0.2407***	0.6478***	1						1.90
(5) CEO_Age	-0.0066	0.0037	-0.0512**	0.0034	1					1.31
(6) CEO_Tenure	-0.1125***	-0.1325***	-0.2130***	-0.2546***	0.4077**	1				1.52
(7) CEO_Gender	0.0059	-0.0099	-0.0701***	-0.1086***	0.0108	0.1043***	1			1.06
(8) CEO_Overconfidence	-0.0012	0.0138	0.0429*	0.0387*	-0.0014	-0.0265	0.0068	1		1.14
(9) Leverage[1]	0.0510**	0.0856***	0.1250***	0.1106***	0.0363	-0.0306	0.0189	-0.0150	1	1.37
(10) ROA[1]	0.1286***	0.1400***	-0.0836***	-0.0102	-0.0087	-0.0073	-0.0406*	0.2136***	-0.1988***	1.74
(11) MTB[1]	0.1359***	0.1386***	-0.0118	-0.0007	-0.0040	0.0211	-0.0390*	0.1668***	0.2722**	1.52
(12) Size	0.5548***	0.4704***	0.2029***	0.2374***	0.0114	-0.0634***	-0.0240	0.1568***	0.0244	2.99
(13) Sales_Growth[1]	-0.1044***	-0.0932***	-0.0600***	-0.0814***	-0.0524**	0.0351	0.0398*	0.1253***	-0.0659***	1.14
(14) CrossListing	0.3496***	0.2816***	0.1065***	0.1241***	0.0508**	-0.0977***	-0.0559**	-0.0208	-0.0331	1.58
(15) AnalystFollowing	0.4024***	0.3202***	0.0727***	0.0975***	-0.0702***	-0.0545**	-0.0330	0.0765***	-0.1168***	2.46
(16) BIndependence	0.1893**	0.1751**	0.2317**	0.2123**	-0.0256	-0.2363***	-0.0573**	0.0585**	0.1036**	1.28
(17) BMeetings	0.0310	0.0334	0.0694***	0.0691***	0.0176	-0.0450*	-0.0430*	-0.0913***	0.0627**	1.09
(18) CEODuality	0.1289***	0.0690***	-0.0326	-0.0390*	0.1671***	0.2082***	0.0716***	0.0577**	0.0280	1.23
	(10)	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**	
(10) ROA[1]	1									
(11) MTB[1]	0.3857***	1								
(12) Size	0.2919***	0.2476***	1							
(13) Sales_Growth[1]	0.1849***	0.0005	0.0434*	1						
(14) CrossListing	0.1040***	-0.0230	0.5188***	-0.0709***	1					
(15) AnalystFollowing	0.2037***	0.1597***	0.6657***	0.0839***	0.4005***	1				
(16) BIndependence	-0.1072***	-0.0119	0.0932***	-0.0761***	0.1000***	0.0625***	1			
(17) BMeetings	-0.1808***	-0.0900***	0.0550**	-0.0200	0.0720***	0.0278	0.1487***	1		
(18) CEODuality	-0.0013	0.0353	0.1245***	-0.0427*	0.1091***	0.0703***	0.1642***	0.0019	1	

All variables are as defined in Appendix 2

*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 8. Effect of CEO Narcissism on the Extent of Environmental and Social Disclosures

	Environmental disclosure		Social disclosure	
	Model 1 CEONarcissism	**Model 2** HighCEONarcissism	**Model 3** CEONarcissism	**Model 4** HighCEONarcissim
Narcissism	.005*	0.038***	.007***	0.044***
	(.003)	(.013)	(.005)	(.012)
CEO_Age	.003***	-0.002**	.003***	0.003***
	(.001)	(.001)	(.001)	(.001)
CEO_Tenure	-.003***	-0.003**	-.003***	-0.003***
	(.001)	(.001)	(.000)	(.001)
CEO_Gender	.057*	0.057*	.009	0.010
	(.034)	(.034)	(.032)	(.031)
Leverage[1]	.090**	0.087**	.107***	0.106***
	(.040)	(.041)	(.038)	(.038)
ROA[1]	-.074	-0.075	-.044	-0.047
	(.092)	(.092)	(.089)	(.089)
MTB[1]	-.004***	-0.004***	-.002	-0.002
	(.001)	(.001)	(.001)	(.001)
Size	.086***	0.084***	.077***	0.075***
	(.007)	(.007)	(.007)	(.007)
Sales_Growth[1]	-.130***	-0.127***	-.090***	-0.087***
	(.025)	(.025)	(.024)	(.024)
CrossListing	.018**	0.018**	-.004	-0.004
	(.009)	(.009)	(.008)	(.008)
AnalystFollowing	.005***	0.005***	.003***	0.003***
	(.001)	(.000)	(.001)	(.001)
Constant	-.667***	-0.671***	-.485***	-0.497***
	(.087)	(.086)	(.079)	(.079)
FFDummies	Yes	Yes	Yes	Yes
Observations	1,877	1,877	1,877	1,877
Log likelihood	661.270	661.26968	763.069	765.1728
Wald χ^2	560.38***	566.54***	484.93***	490.83***

This table presents GLM regressions results of the relations between CEO narcissism and the extent of environmental and social disclosures
All variables are as defined in Appendix 2
[1]Variables winsorized at the 1st and 99th percentiles
*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 9. The Moderating Effect of Board Structure on the Relation Between CEO Narcissism and the Extent of Environmental Disclosure

	CEONarcissism						HighCEONarcissism					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Narcissism	0.004	-0.035	0.004	0.007*	0.005*	0.003	0.034***	0.033**	0.038***	0.039***	0.038***	0.036**
	(.003)	(.021)	(.003)	(.005)	(.003)	(.003)	(.013)	(.016)	(.013)	(.015)	(.013)	(.014)
CEO_Age	0.002**	0.003**	0.003***	0.003***	0.003***	0.003***	0.002**	0.002**	0.003**	0.003***	0.003**	0.003**
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
CEO_Tenure	-0.002**	-0.002**	-0.003***	-0.003***	-0.003***	-0.003***	-0.002*	-0.002*	-0.003***	-0.003***	-0.003**	-0.003**
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
CEO_Gender	0.062*	0.064*	0.056*	0.056*	0.057*	0.057*	0.063*	0.063*	0.057*	0.056*	0.057*	0.057*
	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)	(.034)
Leverage[1]	0.0812**	0.083**	0.095**	0.096**	0.090**	0.090**	0.078*	0.077*	0.092**	0.092**	0.087**	0.087**
	(.040)	(0.040)	(.041)	(.041)	(.041)	(.041)	(.040)	(.040)	(.041)	(.041)	(.041)	(.041)
ROA[1]	-0.066	-0.061	-0.086	-0.086	-0.074	-0.075	-0.067	-0.066	-0.087	-0.087	-0.075	-0.075
	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)	(.092)
MTB[1]	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Size	0.085***	0.085***	0.087***	0.087***	0.086***	0.086***	0.083***	0.082***	0.084***	0.085***	0.084***	0.084***
	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)
Sales_Growth[1]	-0.127***	-0.129***	-0.130***	-0.131***	-0.130***	-0.130***	-0.124***	-0.127***	-0.124***	-0.127***	-0.127***	-0.127***
	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)	(.025)
CrossListing	0.017*	0.016*	0.018**	0.018**	0.018**	0.018**	.017*	.017*	.019**	.019**	.018**	.018**
	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)	(.009)
AnalystFollowing	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***	0.005***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
BIndependence	0.003***	0.003***					0.003***	0.003***				
	(.001)	(.001)					(.001)	(.001)				
BMeetings			-0.002	-0.002					-0.002	-0.002		
			(.001)	(.001)					(.001)	(.001)		
CEODuality					-0.000	-0.000					0.001	0.001
					(.012)	(.012)					(.059)	(.012)
Narcissism x BIndependence		0.000*						0.000				
		(.000)						(.000)				
Narcissism x BMeetings				-0.000						-0.000		
				(.001)						(.000)		
Narcissism x CEODuality						0.002						0.001
						(.005)						(.004)
Constant	-0.865***	-0.888***	-0.664***	-0.662***	-0.667***	-0.666***	-0.864***	-0.862***	-0.668***	-0.669***	-0.672***	-0.668***
	(.097)	(.098)	(.087)	(.087)	(.087)	(.087)	(.096)	(.097)	(.086)	(.087)	(.086)	(.087)

FF dummies included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877
Log likelihood	670.988	672.651	662.605	662.759	661.270	661.346	673.448	673.460	665.308	665.330	664.009	664.090
Wald χ^2	592.52***	597.49***	561.55***	561.89***	560.37***	559.81***	597.88***	597.93***	567.76***	567.77***	566.78***	566.47***

This table provides results of tests of the moderating effects of board independence, board meeting frequency, and CEO duality on the relationship between CEO Narcissism and environmental disclosure

All variables are as defined in Appendix 2

[1]Variables winsorized at the 1st and 99th percentiles

*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 10. The Moderating Effect of Board Structure on the Relation Between CEO Narcissism and the Extent of Social Disclosure

	CEONarcissism								HighCEONarcissism			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Narcissism	0.006**	-0.032	0.007***	0.002	0.007***	0.006*	0.040***	0.031**	0.044***	0.033**	0.044***	0.039***
	(.003)	(.020)	(.003)	(.005)	(.003)	(.003)	(.012)	(.015)	(.012)	(.012)	(.012)	(.013)
CEO_Age	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
CEO_Tenure	-0.003***	-0.003***	-0.003***	-0.003***	-0.003***	-0.003***	-0.002**	-0.002**	-0.003***	-0.003***	-0.003***	-0.003***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
CEO_Gender	0.014	0.016	0.009	0.009	0.008	0.008	0.015	0.015	0.009	0.010	0.009	0.009
	(.031)	(.031)	(.032)	(.032)	(.032)	(.032)	(.031)	(.031)	(.031)	(.031)	(.031)	(.031)
Leverage[1]	0.098***	0.100***	0.107***	0.106***	0.108***	0.109***	0.097***	0.095**	0.106***	0.102***	0.108***	0.106***
	(.038)	(.038)	(.038)	(.038)	(.038)	(.038)	(.037)	(.038)	(.038)	(.038)	(.038)	(.038)
ROA[1]	-0.035	-0.029	-0.044	-0.044	-0.043	-0.044	-0.037	-0.034	-0.047	-0.044	-0.046	-0.046
	(.088)	(.088)	(.089)	(.089)	(.089)	(.089)	(.088)	(.088)	(.090)	(.089)	(.089)	(.089)
MTB[1]	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Size	0.075***	0.075***	0.077***	0.077***	0.077***	0.076***	0.073***	0.073***	0.075***	0.074***	0.075***	0.074***
	(.006)	(.006)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)	(.007)
Sales_Growth[1]	-0.087***	-0.089***	-0.090***	-0.088***	-0.090***	-0.090***	-0.085***	-0.084***	-0.087***	-0.086***	-0.088***	-0.088***
	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)	(.024)
CrossListing	-0.005	-0.006	-0.004	-0.004	-0.005	-0.005	-0.005	-0.005	-0.004	-0.004	-0.004	-0.005
	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)	(.008)
AnalystFollowing	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***	0.003***
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Board_Independence	0.003***	0.003***					0.003***	0.003***				
	(.001)	(.000)					(.001)	(.001)				
Board_Meetings			0.000	0.000					0.000	0.000		
			(.001)	(.001)					(.001)	(.001)		
CEO_Duality					0.005	0.005					0.006	0.006
					(.011)	(.011)					(.011)	(.011)
Narcissism x BIndependence		0.000*						0.000				
		(.000)						(.000)				
Narcissism x BMeetings				0.001						0.001*		
				(.001)						(.000)		
Narcissism x CEODuality						0.002						0.004
						(.004)						(.003)
Constant	-0.673***	-0.696***	-0.485***	-0.488***	-0.485***	-0.483***	-0.683***	-0.673***	-0.497***	-0.488***	-0.497***	-0.488***
	(.090)	(.090)	(.080)	(.080)	(.080)	(.080)	(.089)	(.089)	(.079)	(.080)	(.079)	(.080)
FF dummies included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877
Log likelihood	773.324	775.150	763.071	763.928	763.167	763.292	775.383	776.042	765.176	766.607	765.317	765.967
Wald χ^2	515.12***	520.77***	484.96***	486.55***	485.31***	485.36***	520.92***	522.11***	490.86***	493.51***	491.35***	492.45***

This table provides results of tests of the moderating effects of board independence, board meeting frequency, and CEO duality on the relationship between CEONarcissism (HighCEONarcissism) and social disclosure

All variables are as defined in Appendix 2
[1]Variables winsorized at the 1st and 99th percentiles
*, **, *** Significance at the 10, 5 and 1% levels, respectively

Table 11. Effect of CEO Narcissism on the Extent of Environmental and Social Disclosures—Controlling for Overconfidence

	Environmental disclosure		Social disclosure	
	Model 1 CEONarcissism	**Model 2** HighCEONarcissism	**Model 3** CEONarcissism	**Model 4** HighCEONarcissim
Narcissism	0.004	0.35***	0.007***	0.043***
	(.003)	(.013)	(.003)	(.012)
CEO_Age	0.003***	0.003***	0.003***	0.003***
	(.001)	(.001)	(.001)	(.001)
CEO_Tenure	-0.003***	-0.003***	-0.003***	-0.003***
	(.001)	(.001)	(.001)	(.001)
CEO_Gender	0.062*	0.063*	0.010	0.011
	(.034)	(.034)	(.031)	(.031)
CEO_Overconfidence	-0.080***	-0.078***	-0.034**	-0.032**
	(.017)	(.017)	(.016)	(.016)
Leverage[1]	0.079*	0.076*	0.103***	0.102***
	(.040)	(.040)	(.038)	(.038)
ROA[1]	-0.053	-0.054	-0.035	-0.039
	(.092)	(.092)	(.089)	(.089)
MTB[1]	-0.004***	-0.004***	-0.002	-0.002
	(.001)	(.001)	(.001)	(.001)
Size	0.093***	0.091***	0.079***	0.078***
	(.007)	(.007)	(.007)	(.007)
Sales_Growth[1]	-0.122***	-0.120***	-0.086***	-0.084***
	(.025)	(.025)	(.024)	(.024)
CrossListing	0.015*	0.015*	-0.006	-0.005
	(.009)	(.009)	(.008)	(.008)
AnalystFollowing	0.004***	0.004***	0.003***	0.003***
	(.001)	(.001)	(.001)	(001)
Constant	-0.713***	-0.717***	-0.502***	-0.513***
	(.087)	(.086)	(.080)	(.080)
FFDummies	Yes	Yes	Yes	Yes
Observations	1,877	1,877	1,877	1,877
Log likelihood	672.61135	674.88955	765.253	767.13562
Wald χ^2	590.49***	595.69***	491.20***	496.55***

This table presents GLM regressions results of the relations between CEO narcissism and the extent of environmental and social disclosures when the CEO overconfidence variable is added to the analysis

[1]Variables winsorized at the 1st and 99th percentiles

*, **, *** Significance at the 10, 5 and 1% levels, respectively

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Appendix

Appendix 1

Environmental and Social Indicators with Bloomberg Fields

Environmental	
Direct CO2 Emissions	DIRECT_CO2_EMISSIONS
Indirect CO2 Emissions	INDIRECT_CO2_EMISSIONS
Travel Emissions	TRAVEL_EMISSIONS
Total CO2 Emissions	TOTAL_CO2_EMISSIONS
CO2 Intensity (Tonnes)	CO2_INTENSITY
CO2 Intensity per Sales	CO2_INTENSITY_PER_SALES
GHG Scope 1	GHG_SCOPE_1
GHG Scope 2	GHG_SCOPE_2
GHG Scope 3	GHG_SCOPE_3
Total GHG Emissions	TOTAL_GHG_EMISSIONS
NOx Emissions	NOX_EMISSIONS
SO2 Emissions	SO2_EMISSIONS
SOx Emissions	SULPHUR_OXIDE_EMISSIONS
VOC Emissions	VOC_EMISSIONS
CO Emissions	CARBON_MONOXIDE_EMISSIONS
Methane Emissions	METHANE_EMISSIONS
ODS Emissions	ODS_EMISSIONS
Particulate Emissions	PARTICULATE_EMISSIONS
Total Energy Consumption	ENERGY_CONSUMPTION
Electricity Used (MWh)	ELECTRICITY_USED
Renewable Energy Use	RENEW_ENERGY_USE
Water Consumption	WATER_CONSUMPTION
Water/Unit of Prod (in l)	WATER_PER_UNIT_OF_PROD
% Water Recycled	PCT_WATER_RECYCLED
Discharges to Water	DISCHARGE_TO_WATER
Wastewater (Thousand Cubic Metres)	WASTE_WATER
Hazardous Waste	HAZARDOUS_WASTE
Total Waste	TOTAL_WASTE
Waste Recycled	WASTE_RECYCLED
Paper Consumption	PAPER_CONSUMPTION
Paper Recycled	PAPER_RECYCLED
Fuel Used (Thousand Litres)	FUEL_USED
Raw Materials Used	RAW_MAT_USED
% Recycled Materials	PCT_RECYCLED_MATERIALS
Gas Flaring	GAS_FLARING
Number of Spills	NUMBER_SPILLS

Environmental	
Amount of Spills (Thousand Tonnes)	AMOUNT_OF_SPILLS
Nuclear % Total Energy	NUCLEAR_%_ENERGY
Solar % Total Energy	SOLAR_%_ENERGY
Phones Recycled	PHONES_RECYCLED
Environmental Fines	# NUM_ENVIRON_FINES
Environmental Fines	$ ENVIRON_FINES_AMT
ISO 14001 Certified Sites	ISO_14001_SITES
Number of Sites	NUMBER_OF_SITES
% Sites Certified	%_SITES_CERTIFIED
Environmental Accounting Cost	ENVIRONMENTAL_ACCTG_COST
Investments in Sustainability	INVESTMENTS_IN_SUSTAINABILITY
Energy Efficiency Policy	ENERGY_EFFIC_POLICY
Emissions Reduction Initiatives	EMISSION_REDUCTION
Environmental Supply Chain Management	ENVIRON_SUPPLY_MGT
Green Building Policy	GREEN_BUILDING
Waste Reduction Policy	WASTE_REDUCTION
Sustainable Packaging	SUSTAIN_PACKAGING
Environmental Quality Management Policy	ENVIRON_QUAL_MGT
Climate Change Policy	CLIMATE_CHG_POLICY
New Products—Climate Change	CLIMATE_CHG_PRODS
Biodiversity Policy	BIODIVERSITY_POLICY
Environmental Awards Received	ENVIRONMENTAL_AWARDS_RECEIVED
Verification Type	VERIFICATION_TYPE
Social	
Number of Employees	NUMBER_EMPLOYEES_CSR
Employee Turnover %	EMPLOYEE_TURNOVER_PCT
% Employees Unionized	PCT_EMPLOYEES_UNIONIZED
Employee Average Age	EMPLOYEE_AVERAGE_AGE
% Women in Workforce	PCT_WOMEN_EMPLOYEES
% Women in Mgt	PCT_WOMEN_MGT
% Minorities in Workforce	PCT_MINORITY_EMPLOYEES
% Disabled in Workforce	PCT_DISABLED_IN_WORKFORCE
% Minorities in Mgt	PCT_MINORITY_MGT
Workforce Accidents	WORK_ACCIDENTS_EMPLOYEES
Lost Time from Accidents	LOST_TIME_ACCIDENTS
Lost Time Incident Rate	LOST_TIME_INCIDENT_RATE
Fatalities—Contractors	FATALITIES_CONTRACTORS
Fatalities—Employees	FATALITIES_EMPLOYEES
Fatalities—Total	FATALITIES_TOTAL
Community Spending	COMMUNITY_SPENDING
Employee Training Cost	EMPLOYEE_TRAINING_COST
SRI Assets Under Management	SRI_ASSETS_UNDER_MANAGEMENT
# Awards Received	AWARDS_RECEIVED
Health and Safety Policy	HEALTH_SAFETY_POLICY
Fair Remuneration Policy	FAIR_REMUNERATION_POLICY
Training Policy	TRAINING_POLICY
Employee CSR Training	EMPLOYEE_CSR_TRAINING
Equal Opportunity Policy	EQUAL_OPPORTUNITY_POLICY
Human Rights Policy	HUMAN_RIGHTS_POLICY
UN Global Compact Signatory	UN_GLOBAL_COMPACT_SIGNATORY

Appendix 2

Variables, Definitions, and Data Sources

Variable	Definition	Source
Dependent variable		
Environmental disclosure	Environmental disclosure score	Bloomberg
Social disclosure	Social disclosure score	Bloomberg
Independent variable		
CEO narcissism		
Role titles	Number of titles held by CEO	Compustat's ExecuComp BoardEx
Awards	Number of awards received	Marquis Who's Who
Words biography	Number of words in the CEO biography	Marquis Who's Who
Cash compensation	Total of salary and bonus compensation	Compustat's ExecuComp
Total compensation	Cash plus all other forms of compensation	Compustat's ExecuComp
Value of acquisitions	Amount in $, calculated as ratio of deal value versus market value of acquirer	Thompson (SDC)
Number of acquisitions	Number of acquisitions per CEO tenure year	Thompson (SDC)
Ratio cash compensation	CEO's cash compensation compared to second-best paid executive	Compustat's ExecuComp
Ratio total compensation	CEO's total compensation compared to second-best paid executive	Compustat's ExecuComp
Rank compensation	Rank of the CEO compensation relative to the second best paid	Compustat's ExecuComp
Control Variables		
CEO Control Variables		
CEO Age	The CEO's age at the end of the fiscal year	Compustat's ExecuComp
Tenure	The number of years since the CEO has been appointed at the end of the fiscal year	Compustat's ExecuComp
Gender	An indicator variable = 1 if the CEO is male, 0 otherwise	Compustat's ExecuComp
CEO overconfidence	= The value-per- option / the year-end stock price The value-per-option = The value of unexercised but vested options /the number of unexercised but vested options	Compustat's ExecuComp Compustat Global
Firm Control Variables		
Leverage	The ratio of total debt to the book value of total assets	Compustat Global
ROA	Return on assets, equal to net income divided by total assets	Compustat Global
MTB	The ratio of the market to book value of equity	Compustat Global
MarVal	The market value of common equity	Compustat Global
Size	The natural log of MarVal	Compustat Global

Variable	Definition	Source
Firm Control Variables		
Sales_Growth	The year-on-year sales growth	Compustat Global
CrossListing	The number of markets in which the firm is listed	Worldscop
AnalystFollowing	The simple average of the number of analysts forecasting earnings per share for the following year across the twelve-monthly reporting periods	Institutional Brokers Estimate System (I/B/E/S)
FFDummies	Fama French industries: (1) Non-Durables; (2) Durables; (3) Manufacturing; (4) Energy, Oil and Gas; (5) Chemicals and Allied products; (6) Business Equipment; (7) Telecom; (8) Utilities; (9) Shops, Wholesale, Medical Equipment, and Drugs; (10) Healthcare and medical equipment; (11) Money Finance; (12) Others, Construction, Building Materials, Transportation, Hotels, Bus and Entertainment	
Moderators		
BOD_Independence	Percentage of independent directors	Bloomberg
BOD_Meetings	Number of board meetings at the end of the fiscal year	Bloomberg
CEO_Duality	An indicator variable = 1 if the CEO is the chair, 0 otherwise	Bloomberg